RETAIL REVITALIZATION IN SANTA BARBARA
A HISTORICAL PUBLIC POLICY ANALYSIS
1972 - 1986

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PREFACE

This is a report on the City of Santa Barbara and the process taken to solve the problem of declining retail sales in the core, downtown area. The solution is to implement a much needed retail revitalization program. After fourteen years of accepting, reviewing and declining various such proposals, and going through this process almost two dozen times, the City was finally able to adopt a program that was problem solving, innovative and exciting. Though recognition of the need for such a plan had built momentum over a decade ago with the Central City Redevelopment Plan of 1972, the City of Santa Barbara played an enduring, if not frustrating, game until the bases of government, business and society were tagged and a program could be decided upon that would hit home for all the players involved.

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I. SETTING THE STAGE

Government, business and society are interwoven and intermixed like the threads of a rope. A matrimonial-like bond exists between government and business which is tied together by society. This bond is revealed at the local level in Santa Barbara through an historic public policy analysis of pivotal events and crucial turning points under which a multimillion dollar downtown retail expansion project is to occur. The turning points are part of the inherent chemistry that exists between the public and private sectors which mix, boil and eventually solidify when an undertaking of such economic magnitude is to be implemented. The government agency under which city development is guided and financed is the Redevelopment Agency. Though the interwoven relationship between government, business and society is most often complex, coherence among them is apparent when one looks at the relationship through the stages of public policy making. The Foundation of Policy Analysis by Garry Brewer and Peter deLeon provides a flowing examination of policy making through the characteristic stages of initiation, estimation, selection, implementation, evaluation, and termination. Through Brewer and deLeon's policy processes, policy making is created from goal orientation, which involves the consideration of ethics and values with respect to policy makers and receivers. Goal orientation is revealed by defining the issue and forecasting the desired results; putting the results to work off of paper into

context and ending with procedures of evaluation and termination. By the time the process of policy-making has been defined and achieved, a map of relationships working horizontally and vertically with each acting in response to the other has been created.

Policies may be examined and applied with rational applications of tools and models of science and mathematics, but the information taken from the results of the models is that which agrees with an individual's and a group's preferences and benefits. The information used does not in fact rely solely on the results of the models, because models do not represent in-action, life-like situations. There is a striving for harmony in individual and group relationships which can only be obtained by tapping into the values and ethics of the individual or group. In this case study of retail revitalization, the characteristics of individuals and groups makes policy making complex because each participant is a part in relation to the whole. When a problem is recognized, ideally the problem must be regularly reviewed to weed out limiting biases and assumptions to aid in the decision making process, and solve the problem. The decision will be enhanced, for the selection of alternatives will not be from a narrow field of considerations, taking only a few parts into account, consequently and thereby limiting the whole. Chaos, the inherent danger of complexity, will be reduced and a decision representing a informative consensus will be arrived at. From the time a problem is decided and a method of implementation is discovered, changes in context may have taken place:

> Lasswell's five intellectual tasks necessary for problem solving - goal clarification, trend discription, analysis of conditions, projection of developments, and the invention, evaluation, and selection of alternative...1

are vital throughout the process. Only through constant revision can a policy be selected that will benefit all involved. Policy decisions must keep pace with changing views, always fluctuating because of context and time. From these revisions, the decision maker(s) should be able to draw similarities which are relevant to, and help create, the desired goal. The desired goal is that which the decision maker(s) regard as the most beneficial to the parts and the whole. From experts -- specialists and analysts ranging the spectrum of fields of study -- the information is accumulated and applied to a problem, and it is up to the decision maker(s) to distill the data which will support any given policy issue in the best interest of the people it will be affecting.

The individual decision makers utilize expert analysis and delegate methods of implementation to agencies and programs related to the decision, put forth a powerful amount of authority distributed among individuals, each working within a group. Yet, individuals are pluralistic, with many different sides to them revealed through their relationship with the environment and this concept of time. Though considerations and information may be taken in from an array of sciences, the information that will be used is that which agrees most with the decision maker's preferences. Redevelopment is a widely discussed government function which:

> ... allows for a wider range of opinion to influence the decision making process. No longer can a man with money and property use them without restraint. Instead, he must work through a web of ordinances, codes and regulations, and contend with government policy and public opinion. **2**

The interwoven relationship of government, business and society is seen through Santa Barbara's Redvelopment Agency, a function which the City Council like most others in California has taken on to minimize costs. In addition, another advantage to this merger is that the Council-Agency being an elected body represents the desires of constituent groups or the inherent function of the City Council itself.

An historic scenario of the downtown retail revitalization project reveals that public opinion in the form of organized and research-oriented task forces, individual citizens joining to form a group because of proximity, locally assembled community interest groups and organizations are pervasive, sensitive and very much listened to. For example, the retail expansion project taking place under the direction of the City Council-Redevelopment Agency represents a change from the normal pattern and routine of current retail business on State Street. As the project unwraps and evolves it affects an increasing number of citizens and organizations, each voicing some concern that should be and is most often taken into consideration. Subsequently, the project must be defined and realigned to meet local constituent concerns. The element of time is a very important characteristic as the affected citizen's groups and organizations take time out to digest, evaluate and either approve or decline the City's propositions of financing and location, two large and particular issues surrounding this project.

The retail expansion program could have begun as it was defined in 1979 were it not for widespread opposition to the project. Citizens and City officials alike opposed the proposal because of its size. If implemented, the new design would have created a mall that would have been too large in terms of cost and size for the City. The role of the developer or business entity entered the picture only when local officials decided what was to be done. The relationship between government, business and society involved a responsive balance between local officials, developers and the constituents. A balance had to be satisfactorally met in order for the desired goal of each to be obtained. In this study the goal to be met was the boosting of the downtown business district by the expansion of the retail section through revitalization. The relationship between government, business and society was revealed through this case study of downtown retail revitalization in Santa Barbara from 1972 - 1986, using the stages of public policy making as the structural frame for the narration of the project.

II. TRENDS OF THE PAST

Long needed, downtown retail revitalization was a priority subject on the Central City Redevelopment Plan of 1972 and on the amended Central City Redevelopment Plan of 1977. The need was exemplified by the construction of the downtown Plaza Mall in 1969.[3] Seeking to reverse the exodus of shoppers from this area to the outlying areas of Ventura and Oxnard and to prevent a mall from being built in Goleta, the Central City Redevelopment Plan called for a mall to be built on downtown State Street. Once built, the new mall would serve as a magnet, attracting shoppers to the downtown area and giving local businesses a boost. City Councilmember Jeanne Graffy described the energy and atmosphere surrounding the downtown revitalization program when she stated in Santa Barbara News Press "Redevelopment can be the greatest shakeup in Santa Barbara since the 1925 earthquake."[4]

Historically, the need for such an undertaking, in addition to stagnating retail sales downtown and people shopping in outlying areas, related to non-downtown upper State Street where De Loreto and La Cumbre Plazas are located. Since the Industrial Revolution, people in cities across the United States have experienced shifts in living preferences from the cities to the suburbs.[5] Subsequently, businesses have followed as well as other city attributes like crime, parks and malls. The new mall or El Paseo Nuevo which is to begin construction in the downtown area in 1987 is an example of the national trend of movement back to the inner cities. This movement is particularly exemplified by the fifteen year public policy process that Santa Barbara went through to evolve such an ideal, specifically-tailored and gift-wrapped project for the community.

> Planning for the construction of a single project may be a long, complicated process involving many parties: developers, interest groups, businessmen, the government, and general public. Public imput is often an important part of the process, and can significantly influence or even alter a planning decision. [6]

Each of these parties participated in the retail revitalization or expansion project by voicing their concerns and desires. After twelve years of research and community meetings a project was created that is sensitive to the scale of Santa Barbara and its inhabitants. The project underwent rigorous examination by the City-hired economic consultants Gruen, Gruen and Associates, Keyser Marsten Associates, Kotin, Regan and Mouchly, Inc., and City-appointed advisory task-forces. As a result, the final mall design is responsive to the primary City issues of finance, housing, water, traffic, parking and population growth.

Santa Barbara, a city very alert and aware to any change in its environment, especially after the oil spill off of its coast in 1969[7] exemplifies the ideal in terms of handling the environmental impacts of various projects to be implemented in the City. In regards to developing a downtown mall, this concern was first demonstrated with the denial of a 600,000 square foot mall proposed by Ernest W. Hahn, Inc. in 1980. The characteristics of the Hahn proposal were modified over a period of just under two years and the proposal was still refused by the City because it was considered too large and costly to handle. The Hahn proposal was never able to advance from the conceptual stage toward implementation because of the lack of support and skepticism with which City officials and community interest groups regarded the proposal due to its large size. Also, the City and developer did not compromise, rather each held on to their own desires. The result was a realignment for a new plan by the City as something needed to be done because business on downtown State Street had declined measurably over the years. This was apparent because of the extension of

State Street to the north and the construction of De Loreto and La Cumbre Plazas, respectively. Development of the downtown core did not keep pace with the outlying areas and as a result, Santa Barbara has and continues to experience a decline in downtown business and sales tax revenue! Consequently, City officials and community organizations were adament and particular about a mall design that would stimulate the downtown business district, yet harbor minimal negative effects to the businesses already established.

Historically, the extension of the business district to the north of State Street began as a result of the 1925 earthquake in Santa Barbara.[8] State Street continued to grow and expand northward as the City itself did which was evidenced by the construction of the two malls previously mentioned. This relates the City's desire to locate either a new mall which was rejected by the City in 1980 and accepted in 1983, after an unpopular attempt to locate individual department stores on the upper section of the downtown area. The worst earthquake damage occured on the 400 block and diminished by the 600 block[9] or what is locally referred to as lower State Street -- the Old Town section of downtown Santa Barbara. What happened as a result of the earthquake to the Old Town area explains why the location of the revitalization project was to take place on the downtown section of upper State Street. Today, on downtown State Street there are two organizations which represent different sections of downtown State Street: The Old Town Merchants' Association represents Old Town concerns and the Downtown Organization represents upper downtown State Street concerns. This relates a locational division as well as sensitivity of downtown merchants. The division originated from the Community Arts Association, whose voice was heard after the 1925 earthquake. The Arts Association consisted of well-off Santa Barbarans who promoted Spanish-Colonial architecture, with the buildings devastated

by the earthquake. This was done with the hope of generating "tourism and fame for Santa Barbara that the Eiffel Tower had for Paris."[10] The Chamber of Commerce supported the Community Arts Association's design after the earthquake. Also, Santa Barbarans moved to the northern areas of State Street because of the height of the second story buildings, the majority of which toppled on lower State Street during the earthquake. After the earthquake, Santa Barbarans had a more secure inclination toward the preferred single story structures[11] which were constructed on the upper, or newer sections of State Street and adhered to the Spanish-Colonial design policy proposed by the Community Arts Association. Merchants who could afford to relocate from the Old Town section toward the north on State Street did so. However, most of the merchants of the Old Town preferred to stay at their locations and did not want to comply with the Hispanic motif. But, Santa Barbara was growing and

> ...its renovating and developing spirit meant the movements of a substantial amount of commercial activity toward the north on State. This movement was clearly perceptible by 1925, for it was reflected in newspaper headlines about real estate evaluation which showed 150 percent increases in the value of lots on the One Thousand Block. **12**

In 1986, this relates to the location of the El Paseo Nuevo project which is to be located between the 600 and 800 blocks of State Street, exactly between Old Town and New Town.

In addition to the location of the retail revitalization project having its origins in the history of downtown State Street, the project is also a reflection of the history and development of the suburb and the subsequent popular suburban shopping center concept.

> Before World War I a distinct suburban consciousness emerged which, building upon a tradition of insular politics, utilized the latest techniques of regional planning and zoning. 'Ticky-tacky' houses, shopping centers, and even auto expressways, all synonymous with mass suburbia of the late 1940s... **13**

This movement from the city to the suburb caused sections of many cities to deteriorate as was experienced

> ... in the late 1940's and early 1950's when large numbers of people left America's cities for less expensive land -- and, at a time, fewer troubles -- in the suburbs. Some of those cities withered and the federal government stepped in with large development grants to revive them. **14**

According to the California Redevelopment Act of 1952, any city wanting to improve a decaying or blighted area puts that area under the control of the Redevelopment Agency. In 1972, the City of Santa Barbara adopted a Central City Redevelopment Plan, and by 1974 a wishbook of choices was prepared by planning consultant Lyle Stewart. It listed different plans and alternatives to improve and revive the downtown core. Subsequently, the wishbook tailored along the considration of the Central City Redevelopment Plan, suggested the location of Santa Barbara's first development project. One recommendation made by the Committee for Santa Barbara and reported by the News Press reflects this:

> ... the proposed retail shopping center be 'the starter', since the committee believes that revitalization of the commercial business district is of first priority to the city. **15**

Santa Barbara, like many other cities across the United States, felt the effects of suburban sprawl where cities continued to expand outside their downtown or core sections which resulted in less development within and more in the outer or suburbial sections. Jane Jacobs, in her book The Death and Life of Great American Cities relates past trends in terms of where money was spent. "Much is not going into cities at all, but instead into the outskirts of cities."**16** In Santa Barbara, and in cities across the United States, the revitalization, improvement and preservation of historical buillding in ¥¥¥downtown or core city areas has gained a new fervor undoing the strong trend of suburbial development and movement away from the inner sections of cities.

The business district undergoing renewal and revitalization under the auspices of City officials, the developer and community organizations chose to locate and build a downtown mall -- the first step toward improving the area. This is because the potential drawing power of people to the downtown by a mall is great. Practice has illustrated that success of the kind of revitalization in Santa Barbara works well. This was measured by the increased number of shoppers to the downtown area by the construction of the Plaza Mall in 1969.[17] The Plaza Mall was a response to La Cumbre Plaza, opened in 1967 [18] which because of its location, some four miles from the downtown business district, and size, took shoppers away from the downtown area. An Editorial in the News Press describes the urgency of Santa Barbara's need for a downtown mall.

> ...the trend for complacent cities to allow their downtown cores to deteriorate, with a resulting exodus of retail firms to newly built suburban regional shopping centers. The city suffers: its tax base suffers as business declines... because the history of cities shows that you can't have a healthy, viable periphery if the core is withering on the vine. [19]

Though the new mall is to be located downtown, it will improve business for the entire City. This was the result of task force findings reported in an environmental impact report with economic studies prescribing preventative measures to:

> Fend off a regional shopping center elsewhere in the South Coast that would result in an annual 18 per cent shopper goods loss within five years for all of the city, not just downtown. [20]

The need for such revitalization was necessary and the guide under which the project developed was the City Council who serve as the Board of the Redevelopment Agency.

III. THE AUTHORITY OF THE CITY

The City wanted to revitalize a troubled area and placed it under the policies of the Redevelopment Agency. Redvelopment is a delicate and controversial issue because of the various methods used for financing.

> Redevelopment essentially is the way a city tears down an area it believes is deteriorating and replaces it with something new, which in turn is supposed to make the region more attractive thereby generating more tax revenue. **21**

The power of redevelopment agencies lies in their authority of eminent domain. This allows the agency to relocate existing property owners and to interest investors to fund projects by offering them loans and grants on the land acquired through eminent domain. The process works so that the loans and grants are repaid through higher real estate values and increased property taxes created by the new construction investments. Jane Jacobs describes the ideology behind the power of eminent domain:

> The Supreme Court declared that society did have the right - through the medium of its legislators - to make that kind of choice between private entrepreneurs and owners; it could take the property of the one to benefit the other, as a means of achieving affects which, in the legislature's judgment, were for the public good. **22**

City Redevelopment Agencys' privilege of eminent domain is financed under a policy of tax increments. For example, once a project site has been determined and is scheduled to undergo redevelopment, investors such as constituents, property owners

and developers are offered loans and grants to financially support and encourage the new construction. Subsequently, if redevelopment occurs, the loans and grants are repaid through the higher real estate values created and the simultaneous increase in property taxes. The property taxes on the newly improved area will increase because of the improvements made on the value of the land by the new construction. This method is where most of the controversy and opposition to the retail revitalization project occured. The property taxes of an area designated for redevelopment which are normally used to fund the vital government services of police and fire protection, and public schools instead become frozen. So, these government services loose a certain allocation of funds to such improvement projects. Also, as the redevelopment takes place, all of the taxes above the frozen level go to the Redevelopment Agency, and not to these vital services.

The short-term effects of this are most felt because the services are still provided "to the redevelopment area, but without benefitting from any growth in taxes."[23] This means that city services are cut back, because new revenue sources are hard to create. Justification for this method of funding is that the revitalization it funds eventually benefits the community as a whole.

Redevelopment projects were funded largely from the federal government which helped local governments subsidize such developement: A past trend of the late 1960's and early 1970's which no longer exists to the degree it once did because many cities recovered and continue to recover from blight. The federal government created the HUD or Housing and Urban Development grant, and the UDAG or Federal Urban Development Action Grant to revive blighted areas. The Department of Housing and Urban Development was

> ...established by Congress in 1965 to assist states and localities in promoting the orderly growth of urban areas. It administers the principal programs that provide local communities with aid for housing and development project. [24]

This reflects urban renewal and development practices across the United States in the early 1970's. According to the News Press California's early efforts in redevelopment were aimed at matching federal subsidies, but the federal monies dried up.[25] The State of California is a case study in particular because of the passage of Proposition 13 in 1978. The Proposition effected current trends of redevelopment in California because it reduced the local government's ability to raise revenues due to slashed property taxes. Subsequently, wealthy and depressed cities alike competed for federal grants, but Santa Barbara, considered by most a wealthy municipality had to fund the retail revitalization project itself.

In March of 1968, the Santa Barbara City Council created the Redevelopment Agency as the first step toward improving the city's economic vitality. The agency was and is still funded by the Department of Housing and Urban Development and the Central City Project tax increment revenues.[26] The Redevelopment Agency was run by the City Council from April of 1968 until July of 1970, when the City Council no longer served as the Board of the Redevelopment Agency and assigned the responsibility to the Housing Authority Commission membership.[27] But, in 1977 with federal grants becoming more and more difficult to qualify for, the City Council chose to serve for reasons of efficiency as the Board of the Redevelopment Agency.[28] Impetus to the merger was the

> Central City Redevelopment Project...established early in 1972 to plan revitalization of 850 acres bounded by Victoria Street on the north, Highway 101 on the west, Santa Barbara Street on the east, the beach area between Castillo and Milpas Streets and the Harbor and Stearns Wharf.[29]

Since the adoption of the Central City Redevelopment Plan the City Council has discussed the plans in joint hearings with the Redevelopment Agency staff and involved citizen's groups. Subsequently, redevelopment plans were amended and

scaled down to allow a smoother path toward the implementation of the projects when that time was to come. In the midst of this Richard Thomas, City Administrator, supported and explained the merging of responsibilities by the Council in the News Press.

> -- That duplication of efforts may be eliminated because the council is required to provide ultimate approval for all redevelopment projects under State and Federal laws. **30**

Thomas also stated that the elected City Council may provide for greater accountability to the citizenry as opposed to such powers held by an appointed body. In addition, the merger was sensible as Robert H. Foreman, Director of the Redevelopment Agency stated:

> ... Redevelopment projects require a green light from the council/agency, budgets, site plans and approvals by the relevant city review boards and commissions....projects must comply with more stringent state redevelopment law[s] which...requires satisfactory relocation of any displaced businesses and residents. **31**

The merger was timely because the City soon after began to iniate and implement many redevelopment projects.

IV. INTRODUCING ALTERNATIVE PLANS

In 1972 when the City Council approved the Central City Redevelopment Project emphasizing downtown revitalization, the planning consultant firm of Patterson, Langford and Stewart was selected and provided suggestions and alternatives to the Plan in 1974.[32] The concerns of the Central City Redevelopment Project with which the consultants responded to in their wishbook of choices were the construction of a crosstown freeway, more housing, further development of Sterns Wharf, construction of a hotel-conference center on East Beach, building a new sewer treatment plant and bolstering the declining retail area.[33] With so many projects to be implemented in the downtown area it was easy to understand how the redoubling of efforts by the City Council and Redevelopment Agency would be minimized by the merging of the two.

By 1977 and after five years of discussion on plans for the City's development in the near future a "public hearing on the first amended redevelopment plan for the Central City Project"[34] took place. The momentum and magnitude of the downtown redevelopment plan peaked with "perhaps the largest legal notice mailing in the City's history. Letters were sent to 1,800 property owners within the 900 acre project area."[35] The withering downtown business district needed the City Council's attention most. One possible solution was to add a magnet such as a major department store to the central business district.[36] The 1974 report proposed a series of redevelopment alternatives encouraging retail revitalization. The City reviewed the various proposals introduced by the planning consultants and made adjusting recommendations.

Community recommendations were made by a group of community members who formed the Downtown Development Task Force. [37] The retail revitalization project began to take form and the Central City Redevelopment Plan of 1972 began to be implemented.

A series of different proposals from plans or alternatives labeled A, B, C, D, E and F were brought before the City Council and Redevelopment Agency, and of them, Alternative F was the most highly regarded in 1975. Bruce Thompson, Director of the Planning Commision proposed building two major department stores within the downtown business district, using existing stores as satellites.[38] The Planning Commission related probable size and location features in the News Press.

> ... one major facility of 150,000 square feet would be set back from State Street on West Figueroa Street... and another of 200,000 square feet would be set back from State Street on West Ortega Street.... Both would include attached parking structures....[39]

Also, a performing arts facility was to be constructed as well as the installation of a public transportation system to move people about the downtown area. Alternative F, a conceptual plan which was Lyle S. Stewart's (of the planning consultant team) adaptation of the 1972 Central City Redevelopment Plan to expand the central business district.

Alternative F was lauded by many community organizations as explained in the News Press by Bruce Thompson.

> The staff plan for downtown retail expansion...has been endorsed not only by the Planning Commission, but by the Chamber of Commerce, the Downtown Organization, the Committee for Santa Barbara, and the Citizen's Planning Association. All have promised to work with a task force to bring it about.[40]

The support of these community organizations was important because of the economic magnitude of Alternative F. The proposal needed the variety of inputs, concerns and criticisms from each group represented, which would lead to more accountability and

expression with respect to the community's needs and desires. For example, the Citizen's Planning Association suggested their concern that the City retain the sound buildings located within the proposal area by building new ones around them. The Association also suggested that the public transportation system and private automobile parking be free. The Planning Task Force was another community group that contributed to the proposal. A study was made by the Planning Task Force to determine the population impact Alternative F would have on the downtown if it were implemented. Harvey Molotch, a member of

> ...the task force felt the shopping center was the 'least growth inducing' because it appears to be needed to serve those already there, but that jobs create growth. **41**

After the initial characteristics of Alternative F were reported to the community, it was subsequently further defined and the next step taken. The City Council then received the proposal from the Planning Commission and the planning consultant firm "and referred it to the Redevelopment Agency to determine its financial feasibility."[42]

Alternative F was analyzed and it turned out to be more of a cost than benefit for the City, so it was not financially feasible. It was determined to be such because the proposal could not be implemented through the tax increment method without substantial and costly modifications. Lyle S. Stewart did a follow-up study and reported that "...Alternative F's proposed retail expansion would cost developer for construction $5,318,689 over the market value of the two new stores."[43]

Stewart's report elaborately suggested that because more financial resources were needed for a project of this magnitude that downtown property owners in the project area could act as developer. The scheme was to be achieved by the property owners forming a "downtown development corporation"[44] with stockholders.

But the economic analysts Gruen, Gruen and Associates of San Francisco, who were part of Stewart's consulting team projected the marketability of Alternative F and two variations of it and the proposal was deemed not financially feasible -- it was dismissed.

Following Alternative F's dismissal a combination of Alternatives A and D was presented by Councilman Leo Martinez and supported by Gus Chavalas. The News Press reported that:

> Alternative D places major retail expansion on 30.8 acres behind the two State Street blocks between De la Guerra and Cota Streets. Alternative A places the Hotel-Convention Center on Southern Pacific property across from East Beach. **45**

If Alternatives A and D were to be implemented as the Councilmen proposed, then two different projects would be located at different sections of State Street and would not solve the shortcomings of the proposals, which was why they were dismissed in the first place. Alternatives A, B, C, D, and E, all precedents to Alternative F and the proposed combination of A and D, suggested after F was declared unfeasible in 1975 were all dropped and replaced by others. Instead, Plan H, an embroyo concept combining different parts of the previous proposals was designed by the Downtown Development Task Force. This new proposal made in August of 1975 set the stage of the downtown business district revitalization program for the next five years.

V. THE EMBRYO CONCEPT

The dismissal of Alternative F and the renewed energy for retail revitalization created when the City adopted Plan H was a strong pivotal occurance for the City. The tone changed and momentum increased because the City made a commitment to a specific proposal which adhered to the Central City Redevelopment Plan and one which was financially feasible. For example, Alternative F called for a retail expansion project of 350,000 square feet, yet the Central Plan called for a minimum of 600,000 square feet.[46] This larger size meant that Santa Barbara had a greater chance of receiving federal grants and loans, than if it were to build a smaller project. The commitment and need for such a successful project was related by the consulting team effort of Stewart and Gruen

> ...who cited as an additional risk, the need for 'a critical mass' of retail expansion to preclude competition from other centers, to prevent 'leakage' of area shoppers to other existing centers in such locations as Ventura, Oxnard, and Los Angeles, and to create 'spillover' for existing businesses.[47]

Also, locations such as Carpenteria and Goleta represented a threat in terms of another mall locating in the area before one had the chance to locate in downtown Santa Barbara. In regards to the community's desires, Plan H emphasized expansion of the existing downtown shopping area, rather than building a completely new downtown center. Plan H was to integrate stores already located in downtown with new buildings in and around them. This strategy was what the Redevelopment Agency

chose because expansion or revitalization does not imply the bulldozing changes that redevelopment does. Unlike its predecessors, Plan H was specific in terms of a workable financial scheme. For example, developer participation was to be respectively coordinated with private property owners. Robert Klausner and J. W. Beaver, Co-Chairmen of the Downtown Development Task Force, stated that the plan

> relies on 'very specific parameters' that include participation of a developer in an enlarged parking district, participation in an enlarged business improvement district, contribution to expenses of any future 'people mover' system, and closing off the two blocks of State Street to other than pedestrian and people mover traffic.[48]

The economic shortfalls and difficulties of the other proposals were relieved with Plan H because of such stipulations. These guidelines were based on suggestions made to retailers and developers by the Downtown Development Task Force. Because the proposal was specific, previous difficulties and uncertainties concerning finance were ironed out and led to the project's location

> ...on either side of the 600 block of State Street, between Ortega and Cota Streets, the block west of the 700 block of State Street, between De la Guerra and Ortega Streets, and about half of the east side of the 700 block of State Street.[49]

This location was a reflection of the local history of State Street and the national history of urban and suburban development mentioned earlier as well as the serious intent of implementing Plan H.

The desire and need for the implementation of successful retail revitalization was expressed by Mayor David Shiffman when he stated in the News Press that Plan H would be allowed to 'percolate in the community.'[50] Shiffman's statement represented an important aspect of the economic magnitude of Plan H -- the community needed time to digest, accept and understand the economic benefits and repercussions of such a proposal. Not everyone in the City held the beliefs of the owner of the Balboa Building at 735 State Street, Mrs. Dorothy L. Cope, who stated her support of the retail revitalization proposal in the News Press:

'Santa Barbara is a beautiful city, but it is a depressed area....I've known Santa Barbara all my life. You go into a store and a week later you go back and the same wastebasket is still for sale in the same spot.'[51]

Mrs. Cope also supported the proposal and her understanding of the situation when she stated that cities had been "gutted...by peripheral centers.'[52] While the plan was discussed and considered, J. W. Beaver of the Downtown Development Task Force made contact with the Hahn firm and the William Griffith Company[53] -- ready-at-hand developers interested in building the project. In addition, the Co-Chairmen of the Downtown Task Force related in the News Press the growing amount of community interest in the expansion project.

'We used to have trouble getting people to turn out for these meetings, because they thought it was never going to happen.... Now there's a big turn out and lots of debate.'[54]

Lee Scharfield, a member of the Downtown Development Task Force who represented the community at large explained in the News Press that community participation increased with "the more publicity given the matter...,"[55] which results in a better project. Plan H was further supported on 22 May 1976 when there was a filmed forum on the downtown development plans given by Pacific Coast Community Video. The forum was given grants by the City and the California Council for the Humanities in Public Policy and showed "...through visual documentation how citizens' interest in a local issue can affect the decision making forces."[56]

Community interest and participation was very high from 1976 to 1978 when the downtown retail expansion project became more of a reality with the acceptance of Plan H. For example, along with the filmed documentation relating the extent to which community members may become involved in such a project was the Downtown Development Task Force request to the City Council. The Task Force asked that it be able

> ...to monitor implementation and planning involving the Community Development Department, the Chamber of Commerce, the Downtown Organization, and the Old Town Merchant's Association.[57]

This suggestion was based on the premise that the Task Force represented a group of businessmen in the City. During the three years from 1976 to 1978 periodical editorials in the News Press stressed the important need for downtown retail expansion.

Community members who opposed the retail revitalization program did so because they believed it was too much growth for the area. One editorial in response to these concerns claimed, "...that the business community and the citizenry should face the facts and stop shilly-shallying around."[58] The editorial also related that Plan H was not only an added amenity to the area, but rather a necessity.

> Those who think a minor project without even one full-fledged department store can do the job, are not facing up to history and reality. Those who think that some paint and a new awning here and there will accomplish the rehabilitation of lower State Street are deluding themselves.[59]

Meanwhile, the project evolved by way of paving its road toward implementation.

A public hearing took place on 13 July 1977, to relate amendments of different development proposals on the Central City Redevelopment Plan of 1972. Also discussed was the California Environmental Quality Act which required that the City Council study and relieve any adverse environmental impact a development project might have in Santa Barbara before any amendments could be adopted.[60] The purpose of the amendments was to allow the Redevelopment Agency to plan and initiate projects. The amendments were based on an environmental impact report by John Jostes of the local consulting firm, Community Land Use Associates. Jostes used the wishbook of planning and development choices for Santa Barbara's future. The wishbook study stated redevelopment needs and alternatives for the City, and was

thoroughly done "...by planning consultant Lyle Stewart, transportation consultant Martin Wallen and economic consultant Gruen and Gruen"[61] Robert H. Foreman, the Director of the Redevelopment Agency, suggested that the final environmental impact report be a 'staged EIR'[62] which required additional environmental study when the project was precisely defined. The EIR covered eleven areas.

> Geology and soils, hydrology and flood hazard, biotic communities, air quality, noise, architectural and historic concerns, land use, housing, transportation, water supply and energy conservation.[63]

These eleven areas were important because only through such a detailed evaluation could concerned community members be completely aware of the extent of the revitalization project and be able to make recommendations and objections accordingly. The New Press related how the majority-view of the community concerning the Central City Redevelopment Plan had evolved.

> Much of the early apprehension about revelopment as synonymous with rampaging bulldozers appears to have been delayed by professional studies, cititzen group inquiring and assumption of decision making power by the elected body, the City Council.[64]

By the end of 1977, the Downtown Development Task Force conducted interviews to match community needs with those of the developers. The Task Force sought to achieve the now preferred incremented expansion rather than the building of a full scale mall and developers preferred this as well because of greater ease in qualifying for federal grants and loans.

Community involvement in creating a retail expansion project heightened in 1978 with suggestions by the Upper Central Business District Advisory Task Force. In February, the Advisory Task Force reported its work on forming a retail expansion project to the Redevelopment Agency as requested by the City. According to the News Press the Advisory Task Force interviewed prospective developers and a department

store representative from Bullocks and I. Magnins, all of whom showed interest in building and expanding in the downtown area. William Rogers, Chairman of the Advisory Task Force reported to the City Council that the developers had much more retail expansion in mind that what the community was interested in. Councilman Gus Chavalas remarked in the News Press that the Advisory Task Force wanted to protect downtown merchants from retail development and expansion.

> 'That is why we are losing business now, because people are going down to Ventura and other places (to shop). If you are going to protect the merchants, you are going to hamstring the developer,....'[65]

In March, the Advisory Task Force proposed a two phase downtown retail expansion plan to the Redevelopment Agency. The first was a four-square block project that located two department stores downtown with "a full line store specializing in medium to high quality fashion"[66] and the other being the expansion of the current J. C. Penney department store to a full line store as well as satellite stores, adding up to a total of "250,000 to 300,000 square feet of retail area downtown."[67] The second phase of the proposal was the suggested construction of "a third department store and other satellite stores"[68] or an additional 300,000 square feet of retail expansion space. This expansion was to occur on sections of State Street crossed by Cabrillo, Figueroa and Anapamu Streets and the streets parallel to State Street, or De la Vina, Chapala and Anacapa Streets.

VI. PROBLEMS OF FINANCE

The retail revitalization project seemed to be gaining momentum in early 1978, but by the middle of the year an editorial in the News Press related that "...all major projects have been stalled."[69] The statement was a comment on the slow progression of redevelopment projects in Santa Barbara. The editorial stated that "Santa Barbara...is in danger of going into a terminal siesta.... An attitude of changelessness can bring on that terminal siesta."[70]

The News Press was a strong advocate for the development of retail expansion which was further seen in their adament attempt to keep the City moving on its goal of retail revitalization.

> Resistance to these projects has come from many different sources, groups, societies, committees, and individuals. Some of the resistance is an all-out opposition to any development. Other resistance has come from groups and individuals who are not fully opposed to development, but who hope that any change will be barely visible. One result is that some important projects are cut back, in stages, until they cease to be projects.[71]

As the News Press related that Santa Barbara was in danger of "municipal malnutrition"[72] redevelopment in Santa Barbara was hurt with the City losing a bid for a UDAG grant. The grant was denied by the HUD because of criticisms on "...the City's housing activities for its low income and minorities population."[73] The root of the denial were the local minority organizations who protested such a grant because they believed the money could instead be used to revitalize Eastside neighborhoods first, and then used to revitalize lower State Street. Another unexpected turn occurred with the passage of Proposition 13, especially since "...redevelopment...has relied on tax increment financing."[74]

> Financing by tax increment bonds assumes increasing tax revenues from property which rises in value as improvements are made with the money from the original bond sale."[75]

The passage of Proposition 13 reduced this potential because property tax increases were put to a stop.

In November, Ernest W. Hahn, Inc., the builder of the La Cumbre Plaza, submitted a proposal that created a strong possibility for retail revitalization by using the guidelines of the Advisory Task Force and Plan H in the midst of a UDAG denial and Proposition 13. Hahn proposed to double the size of La Cumbre Plaza by adding two department stores. The proposal was similar to the first phase which the Upper Central Business District Advisory Task Force introduced much earlier in the year, but was denounced as financially unfeasible.[76] In turn, an editorial in the News Press supported the plan due to the City's need and difficulting in coming up with the right improvement plan. Also, an expansion of La Cumbre Plaza would not help solve the downtown business district's need of bringing more business downtown because the Plaza is not located in the declining retail sector.

> The next best thing to bringing department stores into the downtown area is to locate them elsewhere within the city limits. It would attract more shoppers into the city and it would greatly help the city's tax base.[77]

The new project was well received because it would bring 200,000 square feet of retail space as compared with the 600,000 square feet proposed earlier in the year by the Downtown Development Task Force. Also, this plan would not add to the traffic problem on downtown State Street and would not interrupt the scale and balance of downtown merchants.

However, a new proposal that would create retail expansion in the downtown business district was preferred in lieu of the expansion of La Cumbre Plaza. The outline of the project was discussed between Ernest W. Hahn, Inc. and the Downtown Redevelopment Task Force and the City Council/Redevelopment Agency. It called for two department stores with small shops inbetween, a large parking garage to be built west of State Street on Chapala Street, and would encompass Canon Perdido and Ortega Streets -- closing off De La Guerra Street, inbetween the two. The suggested size of the department stores was for one with 110,000 square feet of retail space and the other with 70,000 square feet and a garage with 1,600 parking stalls. Picadilly Square, the Balboa Building, and the Old Town Mall were to be preserved and new store buildings were to replace those which faced State Street. The stores were to be connected by a network of open-air walkways or paseos.

Though no cost estimates on the project were available from Hahn, the Council/Agency liked the proposal and granted a grace period of 90 days during which it would not conduct negotiations with another developer. Daniel T. Felix, Hahn's Redevelopment Director, and representive on this proposal for the City responded to questions of merchant operations and relocations from the Downtown Organization. He stated that businesses located in buildings to be removed would be allowed to operate 'very late in the project.'[78] He also stated, that as the project developed

> the present businesses that are 'compatible with this type of regional mall' would be given first opportunity to relocate in the new buildings on favorable rental terms.... Thrifty Drug [for example] would be 'generally not compatible.[79]

After the 90 day extension, begun in July, the City Council/Redevelopment Agency granted the Hahn firm another extension until January 1, 1980. The extension was requestedd by Felix so that the firm could redesign the project to make it financially feasible.

The Redevelopment Agency staff did a financial analysis of Hahn's "two department store" proposal and discovered that the proposal was not feasible because the Hahn firm was not willing to fully participate in the cost of the parking spaces. To solve the problem, Robert Tague, the City Redevelopment Coordinator, stated that a larger project was being considered by Hahn. The larger project would have the added benefit of allowing the Hahn organization to increase its participation in the public improvements.

The Hahn firm next proposed a three block downtown retail expansion project in November, before the January deadline. Larger than the previous proposal introduced in July, it was to begin on Cota Street, one block below Ortega Street. The increase in size was to serve the purpose of increasing tax revenues to allow the Redevelopment Agency to allocate more funds for the project. Unlike the previous proposal, the increase in size involved the possible construction of a third department store and the preservation of the existing buildings that presently front State Street. Cost figures, due by January were not available on the new proposal. Nevertheless, Mayor David Shiffman, and City Council members Hal Conklin and Pat Fillippini of the City's Redevelopment Task Force liked the idea. In addition to De La Guerra Street, a portion of Ortega Street was to be closed to provide additional space for the enlarged project.

> The shopping complex would include a small department store on State on the present site of Thrifty Drug and two larger department stores on Chapala, plus new shop buildings arranged around an interior court and paseo system.80

Felix related that interested department stores were Bullocks Willshire, Buffums and possibly J. C. Penney, which already had a State Street location. Penneys was preferred because it was not a high-line department store as the others were, and was

believed to be able to "...open the center to a fuller range of other tenant stores."[81] This new plan corresponded to the Central City Redevelopment Plan of 1972 which called for 600,000 square feet of retail expansion downtown with 285,000 square feet allocated for department store space, 275,000 square feet for shops and 10,000 square feet for office space.[82] In addition, upwards of at least 40 displaced housing units by the 2,375 space garage were to be replaced.[83] The buildings to be preserved in this proposal were the same as in the first proposal, with the addition of the Silverwood Building, the White House and Parma Buildings, the Park Theater and the Pierce Group of buildings located between Ortega and Cota Streets, as well as the buildings that housed the Good Earth Restaurant and Peppers.[84]

A second proposal for downtown retail expansion was presented by Ernest W. Hahn, Inc. in lieu of its first which was presented in July of 1979. It won 'conceptual'[85] approval by the City Council/Redevelopment Agency in February 1980. And the Council/Agency again granted the firm a period of extension during which the City would not discuss project proposals with other developers. The extension was for 120 days and gave the firm enough time to solve a $22 million problem "between what the Agency would spend on the project, and the revenue it could raise from it."[86]

This new proposal had modifications. The proposal of November 1979 was modified and more specific than the original proposal of July 1979: 84 new housing facilities instead of 40 were to be built adjacent to the two and one-half block long parking garage on Chapala Street and 130 small shops were to be included along a two-level, open-air walkway and courtyard plan. The total plan was to cover an area of four and one-half blocks, close to 600,000 square feet of retail floor space at an approximate cost of $110 million. The size of the plan was encouraged by the Hahn firm which related Bullock's interest in establishing and locating in a shopping center in

Goleta or in an expansion project with the Hahn-owned La Cumbre Plaza, if it were not to locate in the downtown area. The Hahn firm, in not so many words, had stated that it had the power and leverage to build elsewhere in the City if the Council/Agency did not prefer the new plan. The Council/Agency knew this and this was exactly what the City wanted to prevent -- retail development in regional areas.

The 120 day extension allowed the Hahn firm time to make their proposal financially feasible for the City, as well as time for the City to digest such a large development plan. While the Hahn firm made adjustments on its proposal, Gruen, Gruen and Associates gave an updated version of their 1976 Economic Survey for retail expansion in downtown Santa Barbara. The study, done at the Council/Agency's request helped the City measure the economic repercussions of Hahn's most recent proposal. An update on the Gruen study was necessary because their earlier study reported that the downtown area could only support 350,000 square feet of retail expansion space, which was much less than Hahn's proposal. Community concern over the size of the latest proposal heightened over "...the economic, traffic and housing impact of the project."[87] These community concerns carried a lot of weight in the matter, which was exemplified in a comment made by Alan Johnston, a member of the Downtown Organization, at the City meeting when Hahn's new proposal was presented as reported in the News Press: "A push from the downtown merchants will be a big help in making this project successful, or the opposite in making it unsuccessful."[88]

Community members and the downtown merchants in particular were apprehensive about Hahn's new plan because of its grand design in comparison to the existing downtown shops and the casual inlay of State Street oriented malls. If the new plan were to be implemented it would represent a great change in the pattern of

such development in the downtown business district. For example, a trend in Santa Barbara's past, as well as in most cities throught the United States, was for such large development projects to be built in more regional areas outisde of the City's core business area where established merchants were not as large a concern. So, Hahn's comprehensive new plan needs the support, respect, and approval of the community. Subsequently, economic reports were used to help the City and community measure the possibilities and impacts of downtown retail revitalization, the results of which were made by absorbing community and downtown merchant concerns.

Keyser Marsten Associates of San Francisco, in addition to a Gruen update, were also requested by the City to measure pros and cons of the Hahn proposal and possibilities and necessities for retail development in Santa Barbara. The Keyser Marsten report concluded that there was enough business in Santa Barbara and the outlying areas of Goleta, Carpenteria, Ventura, Oxnard and even as far north as San Luis Obispo to support a retail expansion project in Santa Barbara. Gruen's updated report agreed with Keyser Marsten's support for retail expansion, but stated that the downtown area would not be able to support Hahn's recent proposal because of its size. The update reported that the business district needed to expand, only not as much as Hahn proposed. It recommended that the Hahn firm reduce the proposal from 245,000 square feet of small shop space to 150,000 square feet and keep the department store space at 340,000 square feet.[89] The update further suggested that the retail expansion project be physically integrated with the style and character of the downtown area. This was commonsense advice because an enclosed mall built downtown would not work with the character of State Street. Enclosed malls are designed to keep people inside, somewhat like the large gambling casinos in Las Vegas and Reno, Nevada -- timeless, self-contained worlds unto themselves. This is

not compatible with the ambiance of most downtown business districts in the United States. The update also predicted some probable effects a mall project might have on some downtown businesses. For example, "... those with the greatest market appeal and hence rent-paying ability..."[90] would most likely locate within the mall. The Picadilly Square mall adjacent to the new proposed mall area would benefit from the project, unlike the other downtown malls. Other downtown malls would not experience the increase in business, solely because of their location as for example the Plaza Mall, located across the street. This might only be a short-term effect because if the mall were built more people would be attracted to the downtown area to shop and the increase in shoppers would result in an increase in business for most downtown merchants, not only those within the mall.

> ...the city can expect to generate additional sales of $86 millioin per year (in 1980 dollars) by 1985 if the Hahn center is built, compared with an additional $52 million or 39 percent less-without the center.[91]

In effect, the Council/Agency responded to the economic reports and supported the recommended reduction of Hahn's four and one-half block proposal considered too obtrusive for the downtown area. Also, it was noted, that if the City were not to take such redevelopment action, retail stores would continue to locate outside of the business district and the downtown business would continue to wither, albeit slowly.

The Council/Agency's reduction of the plan called for building two department stores, as opposed to three, and using 100,000 square feet for small merchant shops. Mayor David Shiffman and Redevelopment Coordinator Robert Tague did not support such reductions in the project because the City's Redevelopment Agency cost would increase and its potential for federal aid would be reduced, leaving the problem of the financial gap. This is because

> ...the size of the grant requested is evaluated in relation to such factors as number of new jobs created and additional taxes generated by the project...[92]

Mr. Felix, Hahn's representative stated that his firm had at first proposed two department stores and 110,000 square feet of small shop space and this had been rejected. Mayor Shiffman exclaimed in the News Press that "...the reduction in size...has killed the project. The larger project was planned because Hahn thought it wasn't feasible on a smaller scale."[93] The Mayor also stated that if J.C. Penny store were to be one of the two department stores in the retail revitalization plan then the City would only be introducing one new department store downtown because the J. C. Penny store was presented located in the downtown business district. And, if this were to occur the City would have a difficult time in the unlikely event of locating a single department store to locate downtown. This would be as such because locating a single new department store downtown would not be enough to create the drawing power of two new ones. Thus, the Mayor had claimed one reason for why such department stores do not usually locate individually in downtown areas or in malls.

Ernest W. Hahn, Inc. responded with a third and final proposal. This new proposal was a response to the Council/Agency's requrest for two, instead of three department stores. Hahn's third proposal reduced the project area from four and one-half blocks to two (2) blocks and reduced the parking garage from 2,600 parking spaces to 1,300. The proposal came with a $15.6 million gap. This gap was calculated from the $27 million cost the Redevelopment Agency would incur to buy the land for the proposed mall site. If the Agency were to sell the land, it was calculated to get $11.4 million for selling the site to Hahn and from bond issues as well as tax increment revenue, thus a $15.6 million problem.[94] Also, as Mayor Shiffman earlier

claimed, this smaller proposal minimized the City's possibilities of qualifying for a UDAG because the private investment to public investment had been significantly reduced.[95] Robert Pearson, of the Housing and Redevelopment Authority reported in the News Press that in order to make up the shortfall, more contributions were needed by the developer or perhaps a federal grant because the proposal would require the Agency's entire tax increment flow.[96] Subsequently, the proposal was denied in July of 1980.

After the denial of Hahn's third proposal, the City's attitude seemed to change in terms of not wanting a mall project. The third proposal's defeat was expected as this similar proposal was introduced to the City before when the four and one-half block and three department store proposal was submitted. An this larger proposal was considered to be the most cost efficient that a project of this size could be because it was an eligible candidate for a federal grant or loan. Though Hahn's variety of proposal's were finally denied in July the News Press reported in March that:

> ...the Council heard a longtime redevelopment critic charge there is a rumor going around City Hall that the council majority doesn't want the Hahn project, but doesn't know how to say no....[97]

And as expected, Hahn's third proposal did not succeed because it was financially unacceptable, as well as too large in design for the downtown area. Hahn's proposal for the department stores was described in a News Press editorial for what it was. The editorial stated that the proposal recommended an open-air mall integrated with existing structures as opposed to being the traditional closed-in type. It stated that most malls of this size were built on the outskirts of cities, but this one was not and would result in bringing the needed retail shoppers downtown -- a benefit for the entire community. The editorial offered questions that were necessary for the City to investigate for such development and many of which were left unanswered in Hahn's third proposal which led to the subsequent denial.

What protection will be offered to owners of property in the project area? How would the current traffic pattern be affected? How will housing be replaced? How large should such a complex be without becoming a serious threat to merchants who already are doing business in the downtown area? How should costs be shared by public agencies and the developer?98

The last question was the primary reason for which the proposal failed. The second seems to be the size of the project because what was suggested and supported by Council/Agency members when the third proposal failed was locating department stores individually to the downtown area.

VII. SINGLE DEPARTMENT STORES PROPOSED

The plan to locate an individual department store downtown was a reaction on the City's part to the decline of the previous mall proposals. Though individual department stores would not cost as much as a mall, and not involve impacts as strong as the mall would have on the downtown area, the idea took pressing. At a City Council Meeting on 15 July 1980 council members Sheila Lodge and Hal Conklin supported "...the possibility of enticing new department stores downtown without a mall project."[99] But, the owner of the Hahn firm, Ernest Hahn adamantly stated in the News Press that freestanding department stores would not work downtown because "...their space would cost them three to four times what they pay in a mall, where the shops carry the load."[100] He also stated that a single such store would not stop a regional mall from being developed outside of the downtown area. Whereas, Mayor Shiffman wanted to implement a mall proposal, the City Council did not. The City Council took a more moderate view than the Mayor of retail expansion because the single store plan would not involve as much of a financial effort as a mall would and was considered enough to help revitalize the business district at the same time. Santa Barbara had spent nine hot and cold years on inner-city revitalization plans and although progress towards it seemed to still falter, the single store idea seemed worth pursuing.

In spite of Gruen's updated recommendation that the City adopt a two department store mall complex, and Keyser/Marsten's finding that there were enough retail shoppers to support such a project, the City voted against it all. The embryo concept,

Plan H of 1975 was declined as evidenced in the three denials of the Hahn proposals. The Central City Redevelopment Plan, adopted in 1972 presented a solution or retail expansion to revitalize the downtown area, but how to go about it was still a puzzle in 1980. Consequently, the possibility of luring department stores to the downtown area on an individual basis, and not in a mall plaza picked up momentum. The advantage of this new idea was that it would not upset any balance in the retail market as the Gruen study reported that a mall would put some existing merchants out of business. The unique new route which the City chose for downtown revitalization was quickly chosen.

The first task to complete for the new approach was for the Council/Agency to locate a project site and hire a negotiator-consultant. The City did not need to look for a department store because Bullocks, run by Federated Department Stores, claimed its interest in wanting to locate downtown. Bullocks interest had the cumulative affect of boosting the City's interest in the project. The News Press, in early January of 1981 reported that the Council/Agency proposed to locate a major department store on the southeast corner of State and Victoria Streets, where a fire destroyed just under one-third of the area needed to build such a store.

> The council's thinking was that it would be less expensive to buy the sites now, while they are vacant, then later, when new buildings have been erected.101

But, as was seen with the evolution of a location site for the previous mall plans, the location was not easily decided and agreed upon. The owners of the property on the 100 block of East Victoria Street did not want the City to buy the land and build a department store on it. The Council/Agency respected the owner's desire and withdrew its proposition of buying the land.

Meanwhile, the Council/Agency needed to hire a consultant to help with bringing a department store to the downtown area. It rejected the Redevelopment Agency's staff suggestion of hiring LaCagnina Stubbefield, Inc., from Beverly Hills, as the City's consultant for the project.[102] This consultant was rejected because the Council/Agency considered the firm to be inexperienced in dealing with the calibur of store that the City wanted. The Council/Agency wanted consultants who were more experienced in dealing with high-line department stores, like Bullocks, Mayco, and Broadway,[103] not only Sears and Montgomery Wards as LaCagnina Stubbefield's resume indicated. Richard Thomas, the City Administrator summarized the situation in the News Press when he stated that ...the City has set out on an unchartered path 'by assuming for itself the role of developer on the latest project.'[104] It was unique for the City to accept the role of developer because most, if not all, other cities hire out a professional developing company because of the myriad number of tasks that such development requires. Most cities do not have the time or expertise to become the developer and continue to run the City as well. The City's goal was to hire a consultant with a strong background to negotiate with the individual department store. Noting what the Council/Agency wanted in regards to a consultant, the staff's next recommendation was accepted. Joseph Coomes, a well-known redevelopment attorney from Sacramento was hired as the City's consultant-negotiator.

Coomes explained to the Council/Agency, in not so many words, that in order for the City's current retail revitalization plans to succeed, they needed to inject itself with the medicine of commitment. Commitment was one strong reason for the failures of the other proposals, Coomes advised the City to be committed to allowing an individual department store to locate downtown. Also, this project needed the community's support. This commitment, or community support, was an important factor which department store chains looked for and used to determine whether or not they wanted

to locate individually, in a downtown business district. This new plan for expansion meant that the City acted as the developer and upon its hiring of Coomes delegated its negotiating responsibilities to him. Unlike Hahn's previous mall proposals where the firm would have conducted the negotiations with all of the stores to locate within the mall, this alternative method gave the City more control in deciding which store(s) might locate in the downtown area.

The Council/Agency followed Coome's advice. A committee of downtown merchants was formed in March of 1981 to drum-up community support for the free-standing department store plan. The group was called the State Street Retail Expansion Committee and consisted of members of the Downtown Organization, the Old Town Merchants Association, and the Chamber of Commerce.[105] The Expansion Committee held public hearings for merchants and landlords throughout the community and created support for the project.

Coomes presented two possible retail expansion plans to the Council/Agency in September of 1981. The first suggested that Bullocks be located at State and Victoria Streets, and that the J.C. Penney store be expanded at its current mid-downtown State Street location at a cost of $18.4 million. The second or alternative plan, also involved the expansion of the J.C. Penney store, but placed the Bullocks' store on State and Canon Perdido Streets for $23.3 milliion.[106] The funding of these alternatives was the next obstacle that needed to be cleared for the project. This was difficult for the Council/Agency because how it was to finance $40 million budget for proposed downtown revitalization project depended upon the support of community groups who advocated other downtown improvement projects.[107] This was exemplified in the News Press which reported that:

> Lower State Street partisans criticized the proposal to locate the two department stores near the upper end of the downtown shopping area as benefiting merchants in the area, while drawing shoppers away from the lower end. 108

Such criticism was well founded and the Council/Agency listened. The goals to be met by the Redevelopment Agency for the City included specifically revitalizing the lower State Street area by adding parking lots and the entire revitalized downtown section by building at least one free-standing department store downtown, as well as creating a shuttle bus system to move people throughout the business district. The Council/Agency was concerned about revitalizing the downtown business district with keeping both upper and lower downtown State Street in mind. The reason that the latest proposals suggested locating the stores on the upper section was that the upper and lower areas, each in need of revitalization called for different solutions to be implemented.

The City Redevelopment Agency had a budget with more community needs to meet than it could finance all at once. Its focus was on downtown retail expansion, but the Agency had other responsibilities to meet as well. For example, California law requires that 20 percent of the Agency's budget or in this case 20% of its $40 million budget was to be used for housing.*

In addition, the funds were to be used for smaller improvement projects throughout the City. This was so because there were so many community groups and interests for such funds the City had to decide at which time what funds would be used to the benefit of the community as a whole. The News Press related some genuine and outspoken concerns of community interests for the use of Agency funds in areas other than retail revitalization.

> ...pressure to use a larger portion of the comparatively wealthy Redevelopment Agency's tax increment revenue for basic community needs like schools and affordable housing.109

* The law requires that 20% of the Redevelopment Agency funds be used for housing improvements and projects as was related to me in a converstation I had with Richard DeLong, City Manager of San Mateo.

The same News Press article reported specific and adament concerns. Bert Pearlman, coordinator of the Laboratory in School and Community Education for the County Schools Office suggested that the Agency direct the funds toward the schools which were experiencing the repercussions of Proposition 13. Another such concern was presented by Jessica Brown, the spokeswoman for the Tenants Union, who claimed that the Agency needed to use more of its monies for housing projects because the City was only alloting the state mandated minimum of funds.

Amidst the various interests concerning the allocation of redevelopment funds the Council/Agency kept an open ear without compromising its current plans for retail expansion. Coomes was allowed to begin talks with prospective department store chains while the Council/Agency listened to Robert Kausner of the Citizens' Planning Association. The News Press reported Klausner's contention that one of the free-standing stores needed to be located below the second plan's recommendation of locating on Canon Perdido Street. This would help circulate more business to the lower State Stree area. Rand Clark of Network stated in the News Press his group's concern over protecting housing from the retail expansion project which was gaining headway.

> People fear that Redevelopment Agency policies will lead to replacement of affordable housing units with higher priced units and a transition to commercial uses in surrounding neighborhoods...110

In the meantime, Coomes continued negotiations with department stores and Robert Tague reported a source of additional funds for expansion: Traffic and parking studies were compiled for the downtown area and the bonds allocated for parking were made available to help fund the department store project and free up some Agency funds for other improvement areas of the City.111

Bullocks' interest in locating a subsidized department store at the southeast corner of Victoria and State Streets was reported by the News Press in late September of 1981. Concern over this location was expressed by some downtown merchants of the area who preferred the store be located at the southwest corner of State and Canon Perdido Streets. Though more expensive the State and Canon Perdido Street location was centrally located and received the support of merchants in the area. The Bullocks chain stated that it preferred to be located on the corner of State and Victoria Streets because of the areas proximity to I. Magnin and Co. on State Street. This location was important for the Federated Department Stores, the parent company of I. Magnin and Co. and Bullocks because of the shopper draw the two would create from being closer together, rather than farther apart. But, this did not go over very well with the opposing merchants as negative reverberations were expressed and felt throughout the downtown area and City because of Bullocks preference. Penny Davies, a local merchant, of the Earthling Bookstore exemplified this when she placed a 'Condemned?' sign in her store window and passed out notices"...urging customers to protect the city 'giveaway' to an out-of-town conglomerate at the expense of established local businesses."[112] Momentum of this sort continued throught 1982 and the Council/Agency sought other possible location sites because just as the surrounding merchants did not want Bullocks to locate on State and Victoria, Bullocks did not want to locate on State and Canon Perdido Streets.

1983 was a year when a variety of redevelopment proposals were brewing before the City and seeking the Council/Agency's approval. A total of six major projects were presented, all with the future benefit of revitalizing Santa Barbara's downtown core. Two of the six proposals were to build hotel-conference centers, three were proposals to build various types of motels such as a railway and a motor motel and the last was to build a department store, namely Bullocks. The News Press stated that this was the

> ...largest assortment of major commercial projects to come before the City in years, if not decades. They also represent, in terms of tax generating potential, the most lucrative.[113]

This was an important and exciting time for Santa Barbara because it needed these revenue producing projects to enliven the downtown area. The larger of the two hotel-conference centers was Fess Parker's Red Lion proposal. Though it was estimated to cost $50 million to construct, the cost would result in $500,000 a year for the City in property taxes. If built, this hotel-conference center alone would increase the Redevelopment Agency's tax flow by 18.5 percent. Also, more revenues were estimated to be generated by the project from a bed tax and from one percent of the six percent sales tax levied by the State on shops, bars or restaurants operating within the center. In all, the hotel-conference center calculations added up to over one million dollars in tax increment monies for the City because it was to be built on City land.[114] The land becomes more valuable with such improvements, hence worth more because of the subsequent tax increments.

The department store proposal was still being debated in the community, though the City would greatly profit from its construction. If it were built, the City would benefit from the store in terms of revitalizing and expanding the business district as well as getting one percent of Bullocks sales tax. Though the Bullocks proposal was considered the most lucrative and needed downtown expansion project, it was defeated by the community in November of 1983.

The Bullocks proposal became Measure D on the ballot because the proposal became so heated that it had to be brought to the City's voters as it could not be ironed out in discussions and meetings between the Council/Agency, the company, and the local merchants. Measure D was submitted to the public on the ballot asking the community whether or not it thought the Redevelopment Agency should sell bonds to

acquire a downtown project site for a department store. The measure was opposed primarily on terms of the location, the arguments that went on between Bullocks and various community members, and to a lesser degree because of the City's idea of selling bonds to buy a project site. In view of the rejection, City Councilman Tom Rogers suggested in the News Press that the

> ...Council take advantage of the momentum and public interest created by the Measure D campaign and move quickly ahead to find a suitable site.[115]

Subsequently, the City had rejected another two years of effort toward expansion of the retail district, but the momentum of Measure D did not die. Instead, this momentum helped the Council/Agency create a workable revitalization program in 1984.

VIII. A MALL PROPOSAL PREFERRED

The failure of Measure D was a victory in disguise for the City because it eliminated the out-of-vogue independent department store scheme and created a community, not only downtown awareness of the need to successfully implement retail expansion. In the end, the free-standing department store plan was a response by City officials to launch some sort of retail expansion plan in the midst of the denial of the Hahn proposals in 1980. Before the Bullocks issue, the City had previously spent nine years on a mall-type plan for the business district and in 1984 the City went back to a smaller version of the mall plan. The new mall plan consisted of two department stores, with small merchant shops located in between. The City had dealt with developers in the past and such experience led to the City's wise and successful move to have developers competitively bid to build a downtown mall in 1984. Subsequently, the strong profit motive of the previous proposals was not as disagreeable as it was in 1980 and before. Now the City was able to choose from an array of proposals submitted to Santa Barbara from across the nation.

In effect, the Bullocks issue and all the positive and negative hype it created cleaned the slate for the City. The defeat by the voters led to decisive action on a scheme that had been on the drawing board and the subject of City Council

campaigns and meetings for twelve years or since 1972. Frederick A. Usher, a member of the Landmarks Committee made a statement in the opinion section of the News Press that commended the 'Santa Barbara Review Process'[116] in reference to City projects:

> Rather than carp at the 'process', we should be thankful for it, and grateful for the courage of the local elected officials who follow the recommendations of these advisory bodies. Their carefully considered, often painful, decisions aimed at preserving and enhancing the qualities of our City are too fregquently rewarded with negative criticism and even rude, verbal abuse.[117]

Mr. Usher's view reflected upon a vivid and pointed picture of retail revitalization in Santa Barbara because of the style, character and size of the downtown area. The City had run the gamut of ideas, suggestions and plans to expand the downtown and only after the City had experienced this was it ready to implement an expansion proposal. Done by such merits, the City implemented a project which was acceptable in terms of cost, size, location and most importantly community satisfaction. Even though the retail revitalization plan took over a decade, Santa Barbara chose one that was sensitive to the environment and most ideal for its community.

Soon after the Bullocks issue the City Council/Redevelopment Agency appointed a committe of three Council/Agency members: Mayor Sheila Lodge, and Councilmembers Hal Conklin and Tom Rogers. The committee was specifically appointed to work on a retail revitalizaiton proposal. After meeting with different developers and department store representatives, the committee made its recommendations to the Redevelopment Agency. The committee came up with a mall project of 400,000 square feet of floor space with two department stores of 150,000 square feet each, and 100,000 square feet of space to be used for small shops, in between the department stores. The committee supported its proposal when it stated in the News Press that,

> ...it considered both positive and negative issues, that surfaced during the Bullock's election campaign, including location, size, traffic and parking impacts, amount of public subsidy, business displacement and the concept of freestanding department stores.**118**

The failure of Measure D as well as previous proposals reflected the City's positive commitment toward implementation, as seen through this new plan. It was designed to integrate new buildings inbetween existing ones to minimize the costs and structural impacts of the project. Also, the Committee presented a preferred, and an alternate project site. The preferred project site was in the downtown area and was to be bounded by two streets that run parallel to each other, namely Chapala and State Streets, including the perpendicular streets, namely Ortega, De La Guerra -- to be closed off to vehicular traffic because of its center-street location in the project, and Canon Perdido Streets. The alternative site was on a lower section of State Street than the preferred site and on the corner of State and Cota Streets, where a former Bank of America building was, and a few adjacent buildings to the Mission Theater. The Committee recommended quick action because it received local merchant and property owner support for the preferred location and was aware of the urgent time-frame within which it had to work because,

> ...the Central City Redevelopment Project is a 30-year plan adopted in 1977, and that it must act within the next few years if it wants to finance a development with sale of 20-year bonds.**119**

Subsequently, by mid-December the committee's proposal was endorsed by the City Council and the downtwon area was on its path toward implementation.

The Council/Agency set an early April deadline for the submission of developer proposals from across the United States. A total of ten were received. The City took one month to overlook the proposals and chose three at the end of this period as semi-finalists. The proposals chosen were those that were the most responsive to the

City's physical scale and attempted to integrate their project within existing structures. The News Press reported that eight of the ten proposals were on the De La Guerra and State Street location; one used the Cota and State Street location and the other proposal presented a combination of both sites.[120] The News Press also listed the developers who submitted project proposals: the MacDonald Group and William Levy Associates of Santa Barbara; Paul Tolbert of Santa Barbara; Ernest W. Hahn Inc. of San Diego; JMR - Federate Realty of Los Angeles; Alexander Haagen Development of Manhattan Beach; John Price Industries of Salt Lake City; Melvin Simon and Associates of Los Angeles; Sutter Hill Limited of Palo Alto; The Taubman Company and Dean Beck Associates of Hayward; and the Reininga Corporatation with Field Gruzen Architects and Keyser Marsten Associates of San Francisco.[121] At the end of April the three semi-finalists were chosen and among them was Ernest W. Hahn Incorporated, with the other two being Melvin Simon and Associates and the Reininga Corporation. Each semi-finalist then made another more polished or specific and detailed proposal. The proposals were then compared and adjustments made as the developers participated in community forums and hearings and listened to City and community imput. Mayor Lodge stated in the News Press that the three developers were chosen because of their financial capabilities as far as funding the project and their ability to respect

> '...Santa Barbara's scale and style,.... The major impact was responsiveness... some called for cookie-cutter malls which is absolutely against what we want. We do not want an enclosed mall.'[122]

The three semi-finalists each argued that his own proposal was better than his competitor's. On the surface, choosing the best proposal was hard because all of them called for open-air walkways or paseos that connected the two department stores, and

small shops and restaurants within the mall. Also, each of the proposals was designed to locate the department stores on the corners of Chapala and Canon Perdido Streets and Chapala and Ortega Streets, and closing off one block of De La Guerra Street to traffic. In turn, the City had detailed and methodical studies done to help determine the best proposal of the three.

Richard D. Thomas, Executive Director of the Redevelopment Agency wrote a memorandum to City Council/Redevelopment Agency Board Members in which he outlined the City's role in selecting the finalist to develop the mall. First, the three proposals were reviewed, analyzed and evaluated by a team of City staff led by David Davies, the City Planner who established a Development Review Committee, composed of City department leaders. The Committee then made suggestions to the developers concerning the proposals in areas they felt needed more attention and elaboration. Following this, the Committee's recommendations were given to the Redevelopment Agency staff and Selection Advisory Committee. Also, legal counseling was used to help draft Memorandums of Understanding (MOUs) between the Redevelopment Agency and the developer. Herb Weiser of Weiser, Kane, Ballmer and Beckman provided the legal services which helped the City in their public-private relationship with the developer. The MOUs were drafted to

> ...serve as a measure of good faith; any variation from the terms agreed upon by the Agency or the developer in the MOU may be viewed as an inability or unwillingness to fulfill a commitment made...**123**

Though powerful documents, the MOUs were not contracts, rather they were summarys which highlighted financial parts of the proposals and were used in negotiations between the City and the developer.

The City then added Kotin, Regan and Mouchly, Inc., real estate consultants, to compare and contrast the three semi-finalist proposals which helped the City decide on the final proposal. The report also gave the City and Redevelopment Agency a certain perspective on the power of Santa Barbara's downtown revitalization project. For example, in the Hahn proposals of 1975 through 1980 and the Bullocks initiative of 1981 through 1983, the following point (on retail expansion in Santa Barbara) was never raised as clearly as it was in the Kotin, Regan and Mouchly report.

> ...the project represents a very attractive development opportunity for a developer. The scarcity of acceptable new regional center sites and the continuing strong investor demand for operating centers suggest that this project will represent an unusual profit opportunity for whichever proposal is selected.124

This clearly gave the City the opportunity to choose the best proposal in terms of finance, size, aesthetics, and community members and groups desires: Five specific areas of the proposals were analyzed in the report at the Redevelopment Agency's request.

> Stabilization of retail sales...development of a feasible project with minimum public acquisition cost and maximum private investment...Assistance in retaining the needed services, diverse existing businesses and rehabilitation of existing structure together with a fair and equitable relocation program...Maximum utilization of existing parking facilities...Enhanced opportunities for local participation and investment in the project.125

Specific examples of what the report examined were the developer's use of mall space. The Simon proposal was found to be the most simple of the three; the Hahn proposal was the most traditional, and unlike the others the Reininga proposal added 26,000 square feet of space to the 400,000 suggested by the City. The report continued and in terms of revenue sharing concluded that the Simon proposal was the most simple of the three because its proposal placed the Redevelopment Agency at the same risk level as the developer by suggesting that the Agency receive "...25% of

net cash flow after debt services and expenses, with no priority to the developer."[126] Also, in terms of revenue sharing the Hahn proposal was again concluded to be the more traditional of the three because the proposal was designed to assure that the firm received "...a net return prior to Agency participation."[127] On the other hand, the Reininga proposal provided "...25% of all increases in revenue from the first stabilized year..."[128] resulting in benefits from inflation. Parking was another aspect of each proposal that the report outlined as each was significantly different than the other. The City had stated that its goal was to have 1,700 parking spaces built altogether for the project -- 750 were to be built by the developer, and 950 were to be built by the City, expanding nearby parking lots itself. The Simon proposal did not include a project site parking plan because the firm believed that a project parking site would create traffic problems in the area. Instead, the firm wanted to pay $10,000 for each space in lieu of meeting the parking requirement. The in lieu payments would be used ty the City to build parking site(s) in areas other than those close to the mall. In contrast, the Hahn proposal adhered to the City's specification and proposed building a 735 project site parking spaces. The Reininga proposal proposed a combination where the firm would construct 572 project-site spaces and pay in lieu fees as Simon had proposed for the remaining 178 parking spaces.[129]

The report, along with listing how each developer intended to use the retail space, share revenues and build parking spaces, carefully identified the developers' experience and financial worth. This was necessary because it was the final line in determining whether or not each firm had the proper expertise and money to execute the project. The firm's qualifications were interesting and impressive. The Redevelopment Agency Committee performed an excellent task in their selection of these three semi-finalists who were all very qualified to fulfill the demands of the

project. "Hahn and Simon have retail real estate holdings with total values measured in billions of dollars."[130] Reininga had a reported net worth of "$138 million of retail holdings, of which $80 million, or 58% of the total value has not been completed."[131] The report brought out the characteristics of the different proposals and the information from it helped the Council/Agency choose the project finalist.

Additional input into the selection of the project was presented by community groups. The Citizen's Planning Association who formed the Retail Expansion Subcommittee (mentioned earlier) related their concerns to the Council/Agency in a letter. Louise Boucher, the Association's President wrote the letter to the City which related several concerns: The first was whether or not a sufficient amount of parking spaces were created to ease the traffic in the downtown area, the second concerned the size of the project and whether or not limits were set so it would not interupt the pleasant aesthetics of the City and the design of the new buildings in the project be constructed with the Spanish architecture of Santa Barbara.[132] These recommendations helped to emphasize the areas the Council/Agency and the candidate developers considered for a successful project in terms of community support. The Ad Hoc Cultural Committee of Santa Barbara was another concerned community group who wrote a letter to the Redevelopment Agency and made specific recommendations toward what it wanted to see in the project. The Committee made a list of recommendations: "1. Exhibition space; 2. Performance space; 3. Public art sites; 4. Arts program funding."[133] The letter continued and suggested that their recommendations could be met by the future mall center providing 5,000 square feet of space for the arts.

> ...by our knowledge of Santa Barbara,...there will be a synergistic effect produced by combining cultural facilities and programming with commercial enterprise.[134]

The Redevelopment Agency adopted such ideas as presented by the community groups into their consideration for which developer to choose.

IX. THE WINNER

On November 22, 1985 the City Council/Redevelopment Agency Committee who had become the Selection Advisory Committee during the proposal review process chose the Reininga Corporation as the most appropriate developer to implement a downtown mall. The Advisory Committee had worked with the Redevelopment Agency staff on the evaluation criteria to select the project's developer. Richard D. Thomas' memorandum to the Redevelopment Agency Board Members and a memorandum submitted to Thomas from David. D. Davies, the City Planner both recommended the Reininga Corporation. Thomas' memo stated that: "...the Reininga Corporation had used the right elements to fully integrate their proposal into the Downtown Santa Barbara fabric of retailing."[135] The Reininga proposal named El Paseo Nuevo received support in all areas and from the Design Review Committee as well. It was considered "...the most responsive to the community's concerns with planning and design issues."[136] In addition to fitting in with the scale of the downtown area, the proposal was preferred over the others because of the attention paid to the various art organizations as well as the community as a whole. Mr. Thomas' memo reported that the Reininga Corporation had been chosen after several interviews with the finalists, conducted by the Council/Agency Committee, Redevelopment Agency staff, consultants and discussions with other such City staff with which the developers had worked. The general criteria from which the Agency Committee chose the developer was the sensitivity of the individual proposals to the Santa Barbara downtown area and the ability of the firm to work with the community.

> ...throughout the evaluation process, we...recommend a developer which will make a good partner in a joint public-private venture. In our final selection we wanted a developer and a project that would be accepted by the community as a whole.[137]

The Reininga Corporation was also unanimously chosen by the Advisory Committee because of the firm's successful team approach in working with John Field of Field/Gruzen Architects, and Michael Marsten of Keyser/Marsten Economic Consultants.[138] The firm's proposal fit the scale and style of Santa Barbara more than the others with a minimum amount of retail shops or 96,020 square feet of them and a little more than 300,000 square feet of space for the two department stores, each of which were to be built no higher than two stories so as not to interfere with the downtown building scale. Reininga's proposal kept merchant relocation costs to a minimum and included the local merchants as well as property owners in the project.

Reininga's El Paseo Nuevo proposal was the most sensitive of the three proposals. It met community desires and was selected because it captured those desires of local interests. A feature article on the semi-finalists in the Santa Barbara News and Review (3 October 1985) identified Reininga as the firm who stood out among the others because they altered their proposal according to local comments, suggestions and recommendations. For example, the department stores in Reininga's first proposal were believed by outspoken community members to be too far from State Street where many pedestrians usually are. The firm listened and took the advice because it adjusted the proposal to locate the department stores closer to State Street. The News and Review article stated that the firm "...made an aggressive effort to meet with community organizations -- both those who supported the project and opposed it."[139] The article also stated in Reininga's favor that the firm's proposal, according to City Planners was the smallest in scale, meaning that existing buildings would not be

dwarfed if the plan were implemented. Reininga adhered closely to the Art Committee's request for 5,000 square feet of art space when it proposed to construct a 200-seat performing arts theater, exhibition space and four apartment buildings for artists who would pay their rent by teaching art.[140] Even before the proposals were studied by economic consultants its outline revealed that the firm wanted to build the mall more than the other semi-finalists.*

Before the Reininga proposal was officially accepted by the City, the firm obtained a letter of credit from the bank which stated that the firm had the capability to finance the project. The firm presented the letter to the City on 18 November 1985. The bank supported the firm and signed a letter of credit for $7.8 million.[141] The firm's MOU reported that one of the department stores would be "...in the category of either Bullocks or Nordstrom and the other...in the category of either the May Company or the Broadway."[142] The proposal broke down how the floor space would be used in the project: 134,590 square feet was for one department store and 169,330 square feet was for the second, 96,020 square feet was for retail shops, 12,500 square feet for the arts center, and there was to be 57,185 square feet of open space.[143] The proposal also maximized adjacent space to the future mall by adding 44,032 square feet of more retail shop space for a grand total of 456,472 square feet of shop, department store and art space. When the retail revitalization project arrived and passed through the selection phase by the City choosing Reininga's El Paseo Nuevo proposal much was left to do before the physical implementation of the project could take place. Many

* In a conversation I had with Tom Rogers (City Councilman and member of the Selection Advisory Committe) this past Spring over how the City chose the proposal, he stated that Reininga, a medium sized developer "...just wanted it more."

negotiations between community groups, City committees and commissions, consultants, lawyers, and the Council/Agency and the developer of the new mall. Nevertheless, the stage for El Paseo Nuevo's implementation was set. Richard D. Thomas' memorandum to the Redevelopment Agency Board listed the negotiations and review meetings that had to take place before the proposal was built: land lease negotiations needed to be discussed from which Reininga would acquire land from the City on a long-term basis, reviews of the proposal by the Architectural Board of Review and the Landmarks Committee, a completed environmental impact report, a restructuring of the parking district, review and approval by the Planning Commission and the final execution of the Development Disposition Agreement from which the property would be legally required and businesses relocated.[144] At the conclusion of these meetings, reviews, discussions, and contract signing the retail revitalization project can be physically implemented.

X. THE NECESSITY OF INNER-CITY REVITALIZATION

The downtown need for retail revitalization officially introduced in the General Plan of 1972 was finally underway and in the stage of negotiation or the infant stage of implementation by 1985. The City and community took fourteen years to initiate, estimate, select and begin to implement the retail expansion section of the General Plan. The long wait was worthwhile, because the City and community adopted a plan that was ideal for the downtown area. Also, Santa Barbara had its reputation to maintain on controlled growth and respect for the temperate and unique environment that surrounds the City and has made it world renown. The amount of time the City and community took to adjust to and digest the retail expansion program reflects the constituent's desire not to implement anything short of its ideal for the City. During the fourteen year span many plans and combinations of plans were presented to the City and community: from 1972 through 1975 there were Plans A, B, C, D, E, F, G, and H; from 1975 through 1980 the developer Ernest W. Hahn introduced three different proposals to the City; from 1981 through 1983 the independent store compaign was launched with Bullocks at the forefront and from 1984 through 1986 the City was finally able to create enough positive momentum which lead to the selection of the El Paseo Nuevo plan. The aforesaid plans were all designed to revitalize the downtown business district by attracting shoppers to the downtown area. These plans, omitting the successful El Paseo Nuevo proposal were victims of cost-benefit comparisons. Such economics were the ever-present groundwork and guiding tone for the dismissal

of the unsuccessful plans. Also, the repercussions of the cost-benefit comparisons of the plans were the most affective. Though the problem of the need in the business district for more retail patronage was easy to see, the problem's solution was not as easy to see because many different City and community factors had to be met first, so that the initial costs would not over reach the much needed benefits.

The policy process of estimation was the most vital policy stage that the retail revitalization expansion project had to go through. In order for it to be successful, the adopted plan had to be designed large enough to bring shoppers to the downtown business district, but not so large as to over-shadow and compromise the local businesses and environmental scale of the City. Another aspect of the cost-benefit relationship was measuring the size of the plans in terms of square feet, which was important because probable locations were limited in the downtown area. Because of the limited space, only so much was allowed to be built on each land area in terms of height, so as not to have an overbearing existence on the downtown. The importance of project's size was apparent because at first the City chose to build a mall, then adjusted and pursued individual department store buildings and readjusted by returning to the mall concept. Throughout the fourteen years the varying degree of success each plan had or the failure of the different plans, including the semi-finalist competition between the Simon, Hahn and Reininga proposals depended upon the financial feasibility of each.

Forward progress was represented from the denials of the proposals from 1972 through 1983. This forward momentum was seen with the selection of the El Paseo Nuevo proposal in 1985. The proposal was financially feasible and designed to be physically integrated into the downtown, and most importantly it meets the needs of the majority of the City and its community. Evidence of this was seen in 1985 as the

retail expansion project became more specific and focused when the input of community interests were accounted for in the semi-final competition between the three developers' proposals. The community groups and organizations who voiced their concerns and recommendations were compensated for in terms of the adjustments and realignments each developer made on his firm's proposal. This group or community participation reflected our inherent system of checks and balances naturally at work among government, business and society.

The turning points and events in the project which caused a change from patterned routines, norms and expectations were the failures of plans A through H, Hahn's three different plans and the Bullocks or independent store scheme. Each of these plans represented a growing or evolving process toward the desired plan because with each -- emotions, ideas and values of individual and group players in the city government and community also evolved toward defining what the desired plan was to be. Once the City had experienced the various plans it knew what kind of a plan the City needed to revitalize the downtown area. The economic cost and benefits were the bottom line for the expansion project. This policy process of estimation under which cost-benefit analysis occurred revealed the relationship between government, business, and society. The costs and benefits were weighed and the workable medium point that needed to be discovered and achieved among and between the City government, the developer and the community was drawn. Once the cost and benefits were ironed out, the expansion projects definition was outlined and the selection of the final proposal as well as the negoitating and contractual features of implementation took place. After the physical implementation of the project in terms of construction, the subsequent methodical public policy stage of evaluation of the project will occur. This will take place to determine adjustments to be made and project its success-- all done to improve the project so as to make it as functional as possible and most beneficial to the government, business and societal entities.

In all, the retail revitalization proposal was necessary according to the majority of city officials and community groups, but there was the other side of the expansion issue -- those who opposed it. The need for the revitalization of the downtown business district was met after fourteen years of City and community review. Economic studies supported the need of such a project to benefit the entire community in the long run. The new mall was designed to be a magnet attracting shoppers from all over the South-coast. Amidst the long term benefits as reasoned by the redevelopment theory of eminent domain there were heavy short term costs and opponents to the project. Examples include local merchants who will be relocated by the new mall, individual property owners who will be bought out by the developer and City to create room for the project and devout City growth control advocates.

The most vocal opponents of the project were the property owners who would be bought out by the City under the practice of eminent domain. Lee Scharfield was reported in the News Press as wanting the City to exclude property owners (like himself) from the retail expansion project who had stores located in the new mall area and subsequently objected to the plan. George Velliotes was another property owner who did not want his property taken for the development of the mall. On 21 May 1985 the children of George Velliotes wrote a letter to the City Redevelopment Agency. The letter stated that George Velliotes, their 94 year old father, and their mother in her late 70's had been property owners for sixty years in the designated mall location. The letter stated that the Velliotes family did not want to give up their property to the City because selling it to the city at a 'fair market value'[145] would not be compensation for the work they did to buy the property that represented one-half of their retirement income. The letter continued by heatedly calling fair market value "...a cruel joke."[146] and the use of eminent domain as "frivolace..." and "...a dangerous precendent."[147] In lieu of the mall, the letter suggested that the City "...stimulate the grass roots commercial revival of a number of shopping areas in Santa Barbara -- Old Towne, Milpas, The Down Town Area."[148]

The Co-Director of Network, Mark Shroder also wrote a letter to the Redevelopment Agency that denounced the mall plan. He stated that Santa Barbara needs more housing and parking lots, and that merchants to be relocated by the mall will be "...disrupted by forced relocation, several years of construction, and artificially inflated rents."[149] Richard P. Appelbaum wrote a memorandum for Network to the Redevelopment Agency analyzing the costs of the mall proposal. The report included figures which the updated Gruen, Gruen and Associates and Keyser Marsten and Associates studies did not. For example, Appelbaum discovered that the project would not make any profit until after the bonds were paid off and in the meantime the project would draw off of Redevelopment Agency monies, resulting in local business and the construction of affordable housing to loose out from this.[150] Data and opinions of the aforesaid which did not agree with revitalization techniques represented strong short-term desires of maintaining the status quo. People familiar with downtown Santa Barbara know that the retail selection would be better and that the inner-city needed the project's boost. It is very important to note that although the costs may be great for the few relocated merchants and bought-out property owners, such short-term sacrifices were weighed against the long-term results of the downtown area (with which the theory of eminent domain is based) without the mall in community discussions and hearing throught the fourteen years. In addition, revitalizing the downtown core reflects the trends of the late eighties of cities throughout the United States improving their decaying inner core.

Specific examples can be seen in cities across California, such as Petaluma, Manteca, Alameda, and Vista which have been designated Mainstreet Project cities. Mainstreet is a federally and state supported program designed to revitalize the downtown sections of cities by a carefully coordinated means of preserving what exists

in terms of historical significance and improving the downtown business areas. Currently, the Redevelopment Agency of San Francisco is looking for a person to work on the revitalization of its declining downtown area. Also, the City of San Jose and its Redevelopment Agency is busy working on its inner core as may be seen by the large number of city streets and blocks of the downtown area under new construction and design. Although redevelopment and revitalization is unpopular with many, it has become a necessity and such inner revitalization will be a part of City Government well into the 21st Century.

APPENDIX,

DATES OF RECOGNITION

The years listed mark pivotal events and turning points in this case study of retail revitalization on State Street in Santa Barbara from 1972 - 1986.

1972 The Central City Redevelopment Plan is adopted and cites downtown retail revitalization as a top priority.

1974 The planning consultant firm of Patterson, Langford and Stewart is hired by the City to offer alternate proposals as suggestions to effectively set the Central City Redevelopment Plan in motion.

1975 Alternatives A, B, C, D, E, F, and a combination of A and D are dismissed and replaced with an embryo concept, Plan H.

1977 The City Council of Santa Barbara elects to become the Board of the Redevelopment Agency to curb City costs.

1978 Passage of Proposition 13 limits federal monies for local redevelopment projects. Developer Ernest W. Hahn, Inc. proposes the expansion of La Cumbre Plaza Mall located on the upper section of State Street, away from the downtown area. The City Council/Redevelopment Agency rejects the proposal.

1979 The Hahn firm proposes a two department store mall to be built on downtown State Street. The Council/Agency declines the proposal and Hahn proposes another downtown mall plan consisting of three department stores.

1980 The Council/Agency declines the three department store proposal. In turn, the Hahn firm reintroduces the two department store downtown mall with modifications to the other such proposal. The proposal is declined as the Council/Agency decides to act as the developer and locate department stores individually in the downtown area.

1981 The Council/Agency hires redevelopment attorney Joseph Coomes to act as the consultant-negotiator between the City and prospective department stores interested in locating individually in the downtown area.

1983 The individual department store plan or Bullocks initiative is given to the public to vote on as Measure D. The public votes against the individual department store plan.

1984 The Council/Agency realigns itself and a two department store mall plan for the downtown area is decided upon. Prospective developers in a nationwide competition submit bids and of the ten submitted, three are accepted as semi-finalists.

1985 The Reininga Corporation's El Paseo Nuevo is the selected finalist.

ENDNOTES

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