

National City's Primed for Revitalization, Hopes to Follow Downtown San Diego, Border Communities

By Pat Broderick
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San Diego developer Ray Kafaji hopes to elevate National City from a "C class" community to a "B class" within the next five to 10 years. He's off to a high-profile start with Harbor View Condominiums, the first project to break ground under the city's Downtown Specific Plan.

A project of Kafaji's San Diego-based Gulf Unlimited Corp., the \$25 million, six-story mixed-use development, now under construction on Eighth Street, includes 75 condos ranging in size from 700 square feet to 3,000 square feet, plus 13,000 square feet of retail space, and both underground and above-ground parking. Completion is expected by year's end.

"We are the ones who told the city that we have a good opportunity to make National City jump one class from C to B, because it's so close to the border, downtown, the freeway and harbor," said Kafaji.

Response to the project has been good, he said. The first 15 of the 75 units, released in October, have already been sold, and the next phase of 15 units is scheduled to be released at the end of March. Kafaji expects the project to attract buyers who like an urban lifestyle, but not the high prices of downtown San Diego, a little more than six miles away.

Prices at Harbor View range from \$229,000 to \$439,000, for one-bed/one-bath to three-bed/two-bath units. There also will be a penthouse, but the pricing on that wasn't available.

"Most of the people we are getting, at the higher end, are working in the hospital surrounding us, young professionals who can't afford downtown," said Kafaji. "A unit with two beds and two baths is \$369,000. Downtown it would be double that price."

Harbor View also is a prime location for a second home, he added, especially for weary doctors who want to spare themselves tedious commutes in rush-hour traffic. In fact, one doctor has purchased a unit to use when he pulls those long hours, said Kafaji.

Hidden Treasure

Rafael Mendez, sales agent for Harbor View, considers National City "a hidden treasure."

"You have a lot of people working in downtown San Diego, and some don't want to commute," he said. "They still want to live near where they work, so they are looking into the outskirts of downtown. First thing that comes to mind is National City. It's being cleaned up, and there are a lot of new projects that have the potential to make money, even in a declining market. Prices will be much more affordable."

Others interested in the National City market are downsizing and, said Mendez, "Don't want to deal with a yard. In National City, you can find anything you are looking for."

As for the demographics, a lot of the buyers are business people, and the ethnic mix is diverse, said Mendez, with many Filipino buyers, including one woman who travels to the United States for six months out of the year and “wants a nice place to stay when she gets to the states.”

National City Mayor Ron Morrison calls Harbor View the city’s “first big dig,” and the first one with underground parking.

“We have a number of projects in the pipeline, but it’s always good to get the first one up and moving,” he said. “It’s a catalyst. People need to see them. I think that this is a foretaste of the kind of projects we will see in National City.”

Morrison agreed that, compared to downtown San Diego, National City offers good value.

We have a different condo market from downtown, where you are basically dealing with 600 to 800 square feet, and still paying \$600,000,” he said. “We are talking about much larger condos, with ocean and mountain views, at a much lower price level, but in close proximity to downtown, and along the trolley line. This will give young families and couples and singles the opportunity to have a much better lifestyle and product than what they would get downtown.”

Cindy Gompper-Graves, executive director of the South County Economic Development Council, gives high marks to National City’s efforts.

“They are re-creating National City, and keeping the good parts that everybody likes,” she said. “We need affordable housing and a place where people can live and work in the same area. They are offering retail and commercial on the bottom floors, which is perfect, because they need more of a sense of community.”

One city’s progress can impact the entire region, said Gompper-Graves.

“We need to capture the essence of South County,” she said. “Residents are saying, ‘We like our community, and we want to not only live, but work, and dine and do extracurricular activities here. They are getting this with this redevelopment. We have to make sure people can afford to live here and are giving them options, so they don’t have to be on the freeway, and have the opportunity to open their own businesses.”

Finest Urban Suburb

According to a summary of the city’s Downtown Specific Plan, downtown National City already has entered “a new era,” and plans to build on this momentum. The goal is to create “a downtown alive with pedestrians, shops, offices, cafes, hotels, students, residents and visitors.” This would include high-rise residential and mixed-use buildings, defining a new downtown core, with first-floor shops, offices and cafés lining the streets.

Further out from that hub would be mid-rise and townhouse residential communities that would attract a diverse population, including families, singles and empty nesters. Pointing to such attractions as the new Education Village, the historic Brick Row and lushly landscaped Kimball Park, as well as the new state-of-the-art library, “It is not a stretch to imagine downtown National City emerging regionally as a vibrant, urbane, cosmopolitan” area.

In the past three years, the city has invested more than \$20 million in infrastructure improvements to help lay the foundation of what is still to come.

The Seal Beach-based Olson Co., which specializes in urban residential development, has completed three residential projects in National City. Now Olson is working on Paradise Walk at Eighth and R streets, with 30 of the 96 town homes completed, selling from the mid-\$300,000s.

“We’d love to do more,” said Tony Pauker, the company’s regional president. “We think that National City is a really good market, with a very central location in San Diego. For first-time buyers, there aren’t very many places where you can have a central location in San Diego and be able to buy new or existing homes for under \$500,000. It’s well priced and well located, and in the path of change.”

Not that there aren’t some hurdles.

“There are a lot of positive things happening,” said Pauker. “I can’t deny that the schools are somewhat challenged currently. But, unfortunately, a lot of schools in San Diego aren’t as good as we’d like them to be. But when more people are moving in with their kids, you will see additional changes in the improvement of the schools.”

Kafaji remains bullish.

“I think that 10 years from now, National City — with all these city improvements, along with new development, will be the second downtown,” said Kafaji. “The closest thing to downtown and the water is National City. We do have good intentions from the mayor and City Council. When there is a will, there is a way.”

City Manager Chris Zapata has spent his first three years on the job trying to find that way.

“National City is in a position to do some very important things,” said Zapata. “We are gathering ourselves for the next cycle. We feel like the next frontier. We can be America’s Finest City’s Finest Urban Suburb.”

Business Base

According to the San Diego Association of Government’s 2004 figures, one-quarter of the city’s employment comes from the military sector, making up 10 percent of the region’s military jobs. The next major industry is retail, with 5,000 jobs, followed by education/health services, with 3,000 jobs.

“The market for National City has been taken for granted,” said Zapata. “We have a business base here that is incredible. We have regional shopping, auto clusters and freeways. There are a lot of reasons that people drive in and invest here.”

Zapata admitted that his first impression of National City was not a favorable one.

“When I first got here, I thought, ‘This is a train wreck.’ Now, we are ramping up. The image of National City is changing. It’s vibrant, diverse, the weather is incredible.”

But Zapata admits there are challenges ahead.

“We are an urban city with urban issues,” he said. “We have a great business base, but we are dependent on cars. The City Council wants to look at other revenue generators to diversify the revenue stream. We need something that can contain us when cars won’t.”

One boon has been the 1 percent increase of National City’s sales tax to 8.75 percent, passed last June, said Zapata. But not everyone was happy. The San Diego County Libertarian Party earlier this year

circulated petitions and gathered enough valid signatures to qualify the issue for the November 2008 ballot.

At the time, prominent Libertarian Richard Rider had criticized the increase as an unfair burden on National City's low-income residents. But Mayor Morrison had countered that the increased revenue would pay for services, and help "bring in businesses that would increase our revenue."

National City has created some buzz as one of the possible locations for a new Chargers' stadium. In the meantime, there are many projects actually in the pipeline, including the expansion of Plaza Bonita, set to be completed in the spring of 2008. There also are plans for a Costco on a site across from the mall, pending completion of the environmental review process now under way.

But, it's all part of the brave new world of a changing city.

"National City has to be very aggressive," said Zapata.

One major focus is tapping into a waterfront that has served the region so well.

"National City has views of the water, and that is an asset you can't replicate," said Zapata. "But, none of our residents can get to the water. National City has been the regional donor, but we have sacrificed our quality of life. We can't do that anymore. Businesses rely on the water, but how are they good for National City?"

Progress is being made, he said.

For instance, the San Diego Unified Port District has been working with National City and San Diego-based developer Pier 32 LLC on an \$8 million, 244-slip marina on the Sweetwater Channel that will include a plaza area and boardwalk, 8,634 square feet of buildings, including a deli, community meeting rooms, maritime-related office space, and 223 additional public parking spaces. The boats slips have been completed and the remaining project is scheduled to be completed by fall.

Perception And Reality

What and who makes National City "A City on the Move," as its official slogan proclaims?

According to Sandag's 2006 estimates, the ethnic makeup of the city is about 60 percent Hispanic, another 17 percent is Asian/Pacific Islander, and the remainder is white, black and other ethnic groups. National City has the youngest median age in the county — 27 years — compared to 34 years countywide.

National City's per capita income, based on 2000 Census figures supplied by Sandag, was \$19,400, almost half that of the region; about 65 percent of the residents are renters, compared to 45 percent for the region; and 35 percent own homes in National City, compared to 55 percent regionally.

That last statistic is one that Zapata is working to change.

"The South Bay is a very dynamic place right now, and that is the result of people wanting to see change," said Zapata. "National City is making a major public investment in the community. It's location, location, location. There is such ease getting here. The question is, how can we take advantage of our freeway infrastructure?"

The view of National City from the freeways has contributed to its negative image, said Morrison.

“A lot of people are starting to realize that a lot of the image of National City was psychological,” he observed. “This is the one failing we have done as a city. We don’t have one freeway, but three major freeways, but we never capitalized on the exposure. The image most people received of National City is what they saw in the news, or saw from the freeways.”

What about National City’s image as a crime-infested community?

According to Sandag’s midyear 2006 report, the city’s overall crime rate fell 8 percent, from 2005 to 2006 — the most recent figures available. While the violent crime rate — which includes homicide, rape, robbery and aggravated assault — rose by 25 percent during that time, the rate of property crime, including burglary, larceny and car theft, dipped by 14 percent.

National City Police Chief Adolfo Gonzales, who came to the job three years ago, has been getting down to business — literally. The former assistant chief of police for the San Diego Police Department, Gonzales has been working to bring together business people, along with the rest of the community, to make National City a safer place.

Recently, he received the green light to establish six non-sworn community service officer slots. The first position will be to act as a liaison with businesses to help reduce crime through education — everything from providing information on new technology for better security, to how to deal with identify theft — a major concern among the county’s businesses — to when and how to act in emergencies.

“This person will be very engaged with the business community in the city — from the small mom and pop liquor stores to the Mile of Cars,” said Gonzales. “If we work on educating and informing merchants on safety, this will make businesses better and help them flourish, and give us the security that we want.”

Gonzales also has opened the police station for the first time to the community’s citizens, who come in on the first and third Mondays of the month to chat with him about their concerns.

“Before I applied for this job, I drove around and spoke with people, and they viewed the police station as a fortress,” he recalled.

The National City police also have adopted all of the elementary schools in the city, visiting assemblies and classrooms to teach children safety tips. Gonzales also offers meeting space at the station for community groups; is working to ease the homeless problem in the city; and has invited business people and residents to serve on his advisory board.

“I believe that the community plays a great role in crime prevention, so we are including them in our efforts,” he said.

Gonzales considers National City “pretty much on a par with the rest of the county. You see boys and girls playing in the early evening, men and women walking around for exercise, and, in the business community, most of the parking spaces are taken. People are out and about.”

But, he added, change takes time.

“In five years, we will be right where we want to be,” said Gonzales. “Now, we are taking baby steps. My goal is to make this the safest city in the county.”

Morrison believes that his city is getting an unfair rap for being lawless.

“A lot of crime that is done here, the people getting arrested live elsewhere,” he said.

Pauker agreed.

“I feel more comfortable going to the National City community at night then walking around the boardwalk in South Mission Beach,” he said.

If the negative perceptions continue to linger, redevelopment should be a tool toward changing them, said Kafaji, whose company also has built single-family homes in National City.

“If the city builds nice roads and landscapes, and brand new buildings, with six, seven stories, the image will change,” he said. “It’s just a matter of time.”

In agreement is Eugene Marchese, managing director of Australia-based Constellation Property Group, which is planning a \$120 million mixed-use development in National City.

“We are excited about National City,” he said. “It is still a forgotten child of San Diego.”

One man who plans to bolster that image is Sherm Harmer, co-founder of the San Diego-based Urban Housing Partners Inc., and a prominent proponent of the smart-growth, live/work/play strategy that promotes public transit over gas-guzzling automobiles. He helped market the concept in downtown San Diego, and plans to do the same for National City when the time is right.

“We are going to create a master marketing plan, based on selling the lifestyle,” said Harmer. “We’ve spent a couple of million promoting downtown San Diego, and we’ll be doing the same in National City.”

Harmer said he doesn’t expect National City’s image to change overnight, but thinks that within the next two years, a major corner will be turned.

“A lot of people like the bohemian lifestyle, a less structured community, with a better balance of the old and the new,” he said.

Second City

Currently, Urban Housing Partners and National City Housing Partners LLC are partnering with the city on the \$120 million Park Village, a one-block urban village now in the design stages, which would be located in the heart of downtown at the intersection of National City and Plaza boulevards.

Harmer credits National City’s downtown plan for keeping projects rolling along. As long as builders can prove that they are in conformance with the plan, they are spared from having to do their own environmental impact reports, saving them about \$250,000 a project, he said.

“That is what you call proactive government,” said Harmer. “It’s really the only incentive that means something to the building industry, and it is catching on.”

He credits the Centre City Development Corp., which oversees downtown projects for the city of San Diego, for having been “a living laboratory” for the concept.

“People saw how well it worked,” he said.

Now that the concept of urban development is heating up, Harmer says, “Everybody is retooling their thinking about design choices, and looking at new techniques on urban infill — how to integrate office with retail and commercial, adding more apartments. There are lots of choices.”

With the majority of National City designated as a redevelopment area, Harmer said, “Virtually all the property tax generated by any new development will become tax increment. What city officials need to run cities is money, and with tax increment, this will provide the rocket fuel, so that the city can build the amenities that go along with emerging neighborhoods. They’ve got business improvement districts now, and they are really doing a great job getting ready for major development.”

The Right Time

Harmer predicts that in National City there is going to be a stronger street use, with sidewalk cafés, students hanging out on Plaza, opportunities for outdoor dining. “If we build, they will come,” he said.

But to bring it all together, Harmer said that National City also will need a more diverse mix of retail to serve a growing residential population.

“People have to have the ability to do major shopping within walking distance,” he said. “Once we all make the commitment to break ground, a major market will move in. It happened downtown, with Ralphs and Albertsons.”

While urban development has slowed down in the past year, with condo conversions ramping up inventory, along with an abundance of luxury homes, Harmer said that, “Now we are in a good position to move ahead.”

Marchese, whose own development plans were put on hold due to a softening market, agreed.

“We decided to take a breather during the slowdown in the condo market in 2006,” said Marchese, who also is principal of the Australian firm Marchese + Partners Architects Ltd. “We could see an oversupply was going to happen, but that it would sort itself out. Now, we are getting tremendous inquiries. The strategy of waiting is paying dividends.”

Now in the final stages of financing, Marchese expects to break ground during the second half of this year on one phase of the development, Centro, which will include 61 market-rate condos.

“We plan on delivering the product at the end of next year, to take advantage of what will be an under supply,” he said.

An under supply?

“We went through the same scenario in Australia during the last 10 years,” said Marchese. “Everybody got on the condo bandwagon. The reality is, you can drive around San Diego now, and all the cranes are coming down, the buildings are finishing, and there are not a lot of holes in the ground. It takes about two years to build these things.”

Marchese also sees what he calls a “tipping point,” where buying a condo is becoming a better deal than renting.

“I have brought in people from Sydney, and they can’t afford to rent anywhere,” he said.

Landed Gentry

As to concerns about gentrification — and driving out working-class residents — Brad Raulston, executive director of the city's Community Development Commission, doesn't see that happening in National City.

"The goal of communities is to have progress," he said. "Ideally, what we want to do is build out downtown and use smart-growth principles. We have infrastructure, community services, a new library, and an education center. To build density in that area is a good thing. The region is growing, and we have to absorb it."

Gompper-Graves also dismisses any concerns about gentrifying the community.

"I've heard that," she said. "Am I concerned? I am not. What you do as a city is strive for balance and strive to meet the needs of various citizens. You do that by offering different lifestyles."