



Special Workshop Meeting A G E N D A



CITY OF IMPERIAL BEACH
CITY COUNCIL
PLANNING COMMISSION
PUBLIC FINANCING AUTHORITY
HOUSING AUTHORITY
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

JULY 11, 2012 – 6:00 P.M.

Community Room (Behind City Hall)
825 Imperial Beach Boulevard
Imperial Beach, CA 91932

THE CITY COUNCIL ALSO SITS AS THE CITY OF IMPERIAL BEACH PLANNING COMMISSION, PUBLIC FINANCING AUTHORITY, HOUSING AUTHORITY AND IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

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CALL TO ORDER BY MAYOR

ROLL CALL BY CITY CLERK

PUBLIC COMMENT - Each person wishing to address the City Council regarding items not on the posted agenda may do so at this time. In accordance with State law, Council may not take action on an item not scheduled on the agenda. If appropriate, the item will be referred to the City Manager or placed on a future agenda.

REPORTS

1. DISCUSSION ON CITY FISCAL SUSTAINABILITY AND ECONOMIC DEVELOPMENT. (0100-10)

ADJOURNMENT

The Imperial Beach City Council welcomes you and encourages your continued interest and involvement in the City's decision-making process.

FOR YOUR CONVENIENCE, A COPY OF THE AGENDA AND COUNCIL MEETING PACKET MAY BE VIEWED IN THE OFFICE OF THE CITY CLERK AT CITY HALL OR ON OUR WEBSITE AT

www.cityofib.com.

/s/
Jacqueline M. Hald, MMC
City Clerk

Any writings or documents provided to a majority of the City Council/Housing Authority/Planning Commission/Public Financing Authority/Imperial Beach Redevelopment Agency Successor Agency regarding any item on this agenda will be made available for public inspection in the office of the City Clerk located at 825 Imperial Beach Blvd., Imperial Beach, CA 91932 during normal business hours.



AGENDA ITEM NO. 1

**STAFF REPORT
CITY OF IMPERIAL BEACH**

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: GARY BROWN, CITY MANAGER

MEETING DATE: JULY 11, 2012

**ORIGINATING DEPT.: COMMUNITY DEVELOPMENT DEPARTMENT
GREG WADE, ASSISTANT CITY MANAGER/COMMUNITY DEVELOPMENT DIRECTOR**

SUBJECT: DISCUSSION ON CITY FISCAL SUSTAINABILITY AND ECONOMIC DEVELOPMENT

BACKGROUND:

Since adoption and expansion of its redevelopment project area in 1996 and 2001, the City of Imperial Beach has relied almost exclusively on redevelopment tax increment and tax increment bond financing to fund infrastructure improvements and to facilitate private development within the city. Imperial Beach has also used redevelopment to fund several long-range planning efforts such as the Economic Development Plan, Urban Waterfront & Ecotourism Study, and the Commercial Zoning Review as well as for administrative costs to support all of these efforts. With the ending of redevelopment, the City is now faced with the significant challenge of finding new ways in which it can replace or at least partially fill the void left by the loss of this vital economic development tool. Combined with the City's perpetually low retail sales tax generation, along with a limited market for new commercial/retail development, the City now faces the challenge of finding ways in which it can increase tax revenues. Opportunities do exist to capitalize on existing redevelopment-funded projects including the newly-developed Seacoast Inn as well as other redevelopment projects such as Sudberry's Breakwater project, and the Bikeway Village Project, which the city is actively attempting to preserve as the Redevelopment Agency is unwound.

Given these challenges, the City Council has requested the input of local real estate development and planning professionals to help them identify what new tools and/or objectives might be pursued as we enter this post-redevelopment world. During the Workshop on July 11th, therefore, the City Council will be looking for answers to the following questions:

1. Since sales taxes are relatively inconsequential to our city and we have limited commercial buying power, does it make better strategic sense to try to increase property values rather than TOT and sales taxes?
2. Do you, the experts, have tools you'd suggest to foster economic development and increase the tax base?
3. If we wish to raise property taxes, what can we do in a primarily residential community like ours?

4. What can we do to attract, grow and retain businesses?
5. What infrastructure improvements can and/or should we make to attract businesses and improve property values?
6. What would you, the experts, suggest we focus on to increase our tax base?
7. Should we review our development process to find ways to make it more customer friendly, faster, and simpler?
8. What can we do to improve marketing and/or branding of Imperial Beach?
9. What other actions do you suggest to improve the tax base of our city?
10. What do you see other communities doing or preparing to do in the absence of redevelopment?

DISCUSSION:

For the City Council workshop on Wednesday, July 11, 2012, staff has assembled a panel of five distinguished real estate development, commercial/retail, hospitality, and land use planning professionals to provide their insights and expertise for this important, post-redevelopment discussion. The five panelists include:

- **Gerald M. Trimble, Managing Principal, Keyser Marston Associates, Inc.** – Mr. Trimble is managing principal of Keyser Marston Associates, Inc., San Diego. He joined KMA in 1992 after five years as president of the USC Real Estate Development Corporation, a for-profit real estate development corporation for off-campus development wholly owned by USC, and 10 years as the chief executive officer of the Centre City Development Corporation, San Diego. Mr. Trimble specializes in providing technical advice on real estate development projects to public agencies, private sector clients, and institutional clients. His past involvement in analyzing and negotiating transactions for nonprofit corporations, public agencies, and institutions gives him an extraordinary grasp of the critical steps in the process of implementing complex mixed-use and public-private real estate projects. Mr. Trimble also has extensive experience in Community Revitalization, Economic Development, and Disposition Consulting Strategies having specialized in these activities for 25 years. He currently assists clients in diverse communities such as the Southeastern Economic Development Corporation in San Diego, the Metropolitan Transit System for the Morena Linda Vista and Grossmont Transit Stations, the North County Transit District on multiple sites and the County of San Diego related to development of a 104-acre property in the City of Santee and Heritage Park Bed & Breakfast Inns in Old Town.
- **Sherman D. Harmer, Jr., President, Urban Housing Partners** – Mr. Harmer is a 42-year veteran of the homebuilding industry and has built and marketed more than 16,000 homes throughout Utah and California. Mr. Harmer specializes in the development of Urban Infill, Smart Growth, Multi-family and Affordable Housing. Mr. Harmer formerly served as the Vice Chairman to The Olson Company, one of California's leading Builders of Urban Housing with offices in San Diego, Los Angeles and Northern California and was selected *America's Builder of the Year for 2001* by Professional Builder magazine. Mr. Harmer previously served as President of California Pacific Homes of San Diego, which planned and managed the building of the 1,250 unit urban master-planned community of "Stonecrest Village" in San Diego. Mr. Harmer's prior experience includes the position of Senior Vice President of McKellar Communities where he was actively involved in developing the award-winning project "Renaissance-La Jolla", a 2,500-unit urban master-planned community in San Diego and Chief

Executive Officer for two Utah homebuilding companies, developing single-family and multi-family homes as well as commercial, retail and office complexes, while also serving ten years as an elected member of the Utah House of Representatives.

- **Stephen M. Haase, Senior Vice President, Forward Planning, Baldwin & Sons** – Mr. Haase provides entitlement support for the company's land development projects, beginning with the entitlement process and including infrastructure improvements and project revisions. He oversees a project team which includes internal staff and professional consultants in the preparation of policy, environmental, and engineering documentation to achieve project approval. He is actively involved in project design and community outreach to achieve the company's goal of delivering the highest quality development. Prior to joining Baldwin & Sons, Mr. Haase worked for Sudberry Properties, Inc. on retail and mixed-use projects, including the 230-acre Civita mixed-use development project in Mission Valley and Watermark in Scripps Ranch. His professional experience includes 17 years in the public sector where he managed large, complex organizations responsible for all aspects of land use, planning and building safety. In March 2002 Stephen was appointed as the director of the Planning, Building, and Code Enforcement for the City of San José. His previous position was with the City of San Diego Development Services Department where he served as acting and assistant director. He has also served as an expert witness in the land use, planning, and entitlement disciplines. Mr. Haase is an active member of the American Planning Association (APA) and Urban Land Institute (ULI). He also serves on the City of San Diego Planning Commission and as Chairperson of MOVE San Diego. Stephen is certified in the field of planning through the American Institute of Certified Planners (AICP) and is an accredited professional under the Leadership in Energy and Environment Design (LEED) Green Building Rating System.
- **Brett Miller, Chief Executive Officer, Eat Drink and Sleep** – Mr. Miller is one of San Diego's most successful business developers and restaurant entrepreneurs and has served on the Pacific Beach Planning Committee, the Discover Pacific Beach Board of Directors and is a dedicated contributor to the beach area's gentrification and growth. Brett is also active in the greater community as a member of the California Restaurant Association San Diego Board of Directors and has served on the San Diego Historical Society Board of Directors. Mr. Miller attended San Diego State University, obtained his real estate license at age 20 and started his first corporation at the age of 22. Mr. Miller's initial restaurant venture began with the acquisition of a neighborhood bar called Moondoggies in 1990 which, after formation of Moondoggies, Inc., was followed by Moondoggies locations in La Jolla in 1992, another in Pacific Beach in 1995 and the redevelopment of the 6,000 square foot historic Old Ox restaurant site on the corner of Mission Boulevard and Garnet Avenue into a contemporary, upscale Mexican restaurant called Gringo's Cocina y Cantina. Mr. Miller's most recent projects include the Nationally acclaimed, three-story, 45,000 square foot Tower23 Hotel located along the Pacific Beach Boardwalk and featuring a 10,000 square foot restaurant, the acquisition and renovation of Heat Hotel in Lake Havasu City, Arizona and the Padre Hotel, an historic landmark situated in downtown Bakersfield which features a rooftop bar, fine dining restaurant, coffee shop and state of the art meeting space.
- **Linville C. Martin, Real Estate Broker/Consultant** – specializing in leasing and retail investment sale transactions, Mr. Martin understands the needs of property owners through his experience as a former owner of multiple commercial real estate projects. With over 25 years of experience, Mr. Martin has handled transactions with a total value

of in excess of \$370 million. Mr. Martin utilizes the expertise he gained as a former attorney specializing in transactional law and real estate litigation and understands the practical side of the real estate market through his experience as a former commercial real estate developer. In addition to his dedication and passion for commercial real estate transactions, Mr. Martin is also very active in the community having been a faculty instructor at the University of San Diego and lecturer at the University of California at San Diego, serving on several Technical Advisory Panels for the Urban Land Institute, as well as numerous Committees and Task Forces for Centre City Development Corporation. Mr. Martin is a member of the Urban Land Institute as well as Lambda Alpha International, an honorary society for those involved in land economics.

As an outcome of the Workshop, it is hoped that the City Council can provide staff with consensus on specific actions to take with the aim of promoting economic development within Imperial Beach and increasing the city's overall tax base.

FISCAL ANALYSIS:

No fiscal impact with this report.

ENVIRONMENTAL REVIEW

None required with this report.

DEPARTMENT RECOMMENDATION:

That the City Council conducts the Workshop, receives input from the participants and provides direction to staff on recommended actions to pursue.

CITY MANAGER'S RECOMMENDATION

Approve Department recommendation.



Gary Brown, City Manager

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Creating Economic Development at the Local Level

BY JULIO J. FUENTES AND JOSEPH MONTES



Julio J. Fuentes is city manager of the City of Alhambra and president of the California Redevelopment Association; he can be reached at jfuentes@cityofalhambra.org.

Joseph Montes is city attorney for Alhambra and a partner in the law firm of Burke, Williams & Sorensen, LLP; he can be reached at jmontes@bwslaw.com.

In the aftermath of the California Supreme Court's December 29, 2011, decision to uphold legislation that eliminated redevelopment agencies, the City of Alhambra wasted no time in re-establishing a means for conducting economic development activities to:

- Stimulate growth;
- Invigorate the city's business sector;
- Revitalize neighborhoods; and
- Generate new tax revenues.

Recognizing the importance of quickly reactivating redevelopment and related tools for this purpose, the City Council approved an economic development ordinance at its meeting on Feb. 27, 2012.

Laying the Legal Groundwork

The city established several findings and determinations to validate the legitimacy of the ordinance (which adds Chapter 3.34, Economic Development, to Alhambra's municipal code). As a charter-law city whose charter includes authorizing language, the Alhambra City Council is empowered to legislate over any municipal affair to the full extent permitted by the state Constitution. The city council determined economic growth and development to be effective aids in promoting the health and welfare of Alhambra's residents and thus a general benefit to them in multiple ways, including:

- Improved market-rate, affordable and transit-oriented housing options;
- Expanded retail and commercial options;
- More dining and entertainment options; and

- An improved tax base that helps the city provide municipal services to its residents.

Moreover, the city found the use of municipal funds and resources for implementing economic development activities permissible as a municipal affair because of the clear benefit to Alhambra's residents. Based on these findings and determinations, the city council approved the ordinance and authorized city staff to undertake approved economic development activities.

A Municipal Toolbox for Economic Development

The ordinance identifies a number of general categories of authorized activities to help fulfill the goal of economic growth and development. In short, these include (but are not limited to) the ability to:

- Purchase and dispose of property;
- Acquire property by eminent domain, when necessary;
- Provide for site preparation work (demolition, clearing and remediation);
- Rent, manage, operate and repair city-owned property for economic development;
- Rehabilitate, alter, construct or improve property;
- Pursue public and private financial assistance;
- Provide grants, loans, insurance payments, tax rebates or other assistance related to commercial and industrial activities, as well as market-rate and affordable multifamily housing; and
- Issue bonds or other forms of debt.

Resources for Funding

The ordinance does not identify a specific funding source for economic development. However, a variety of tools may be used to finance new development projects, including:

- Section 108 loans — long-term loans secured by some form of collateral and revenues generated from a project or paid from a portion of the city's annual Community Development Block Grant (CDBG) allocation;
- Annual CDBG allocation — ideal for infill development projects and tenant improvements under the category of job creation or blight elimination;
- CDBG program income — net proceeds from any project made possible through the use of CDBG funds;
- New project-generated sales tax and property tax rebates — uses new sales tax and property taxes created from the development to help offset project costs;
- Short-term lines of credit — secured and repaid by new property or sales taxes generated by the project;
- Federal/state grants or economic development initiatives — these increase access to capital for small businesses, a key component of job creation, and help provide additional security for a Section 108 loan;
- Loans from the General Fund or Enterprise Reserve Funds (if these funds exist) — these may require a loan agreement as well as an interest component to do some types of projects;
- Sale of city assets;
- City fees that are discounted, waived or deferred — negotiated incentives to make it easier to attract new businesses and investments;
- Brownfields assistance — assistance to assess and remediate abandoned or underused industrial and commercial property. Funding may be available via the Environmental Protection Agency and federal/state agencies;
- Infrastructure Financing Districts (IFDs) — bonds issued through IFDs require two-thirds voter approval and can be used to help pay for infrastructure-type projects by diverting property tax revenues to pay debt service from other local governments, except schools;
- Revenue bonds — backed by revenue generated from a project funded with bond proceeds and repaid by earnings from the operations of a revenue-producing enterprise;
- Conduit revenue bonds — tax-exempt bonds issued by charter cities or joint powers authorities for economic development or multifamily housing. The bond is payable from loan payments received from the non-

governmental developer on the condition of a public benefit, and it presents no liability for the governmental entity;

- Community Facilities Districts — bonds used mainly to finance public works improvements and services or to pay for specific, limited improvements related to privately-owned or real property. The parcel tax associated with the specific improvements requires two-thirds voter approval;
- Assessment Districts — a charge assessed against real property whereby there is a benefit from a particular public works or public services project or activity undertaken by the city. The voter-approved assessment becomes a part of the funding mechanism to defray the cost of the project.

Cities should work with their legal counsel to explore similar “self-help” economic development program options at the local level that may exist for both general-law and charter cities and to ensure that related issues, such as debt limits and gifts of public funds, are appropriately addressed.

Taking Aggressive Action

Alhambra is planning to use its new authority to implement an aggressive economic development program. The city is presently working on a 400,000-square-foot retail center; it may use a combination of new sales and property tax in the center, along with a reduction in its planning and inspection fees, to underwrite the project’s proposed public parking structure.

Negotiations are also set to begin on a new downtown mixed-use center that may include 140,000 square feet of retail space with 260 units of for-sale housing and public parking. The city may decide to use CDBG program income from the sale of a former asset along with a portion of new net assessed property tax generated by the proposed center to pay for the project.

Alhambra is considering the construction of a 295-space downtown parking structure as well and may elect to borrow from its reserves to underwrite the cost.

The Road Ahead

Even with the approval of the new economic development ordinance, the city’s leaders recognize that the road ahead will not be an easy one, especially as Alhambra winds down its redevelopment agency operations. While implementing a new economic development program in a post-redevelopment agency world is sure to present challenges, it will also certainly provide opportunities.

Going forward, cities must remain steadfast and unified in building alliances by working with the League and the California Redevelopment Association to appeal to the Legislature and Gov. Brown to develop a statewide economic development program and strategy.

Perseverance and creative thinking are key in the effort to reinvent local economic development. Cities can use this opportunity to devise innovative, sound alternatives to finance development projects that will ultimately generate new investment and jobs in their communities and promote sustainability and resiliency when new challenges arise.