

# MEMORANDUM

## Staff Report



**DATE:** MARCH 19, 2002  
**TO:** THE HONORABLE CITY COUNCIL  
**FROM:** MARTIN R. COLE, CITY MANAGER  
**SUBJECT: CONSIDERATION OF A BUSINESS RETENTION AND ATTRACTION PROGRAM**

### SUMMARY

The City Council is requested to consider implementing a Business Retention and Attraction Program (BRAP).

### BACKGROUND

The City Council has been faced with a very difficult set of circumstances concerning the current undesirable conditions prevalent in the City's major business districts: the Intersection of Rosemead Boulevard and Las Tunas Drive (the Western Gateway) and the Las Tunas Drive Business Corridor (the Corridor). Over the past 30 years, the once thriving Corridor (which had been the home of popular locally owned retail shops) has slowly, but surely, deteriorated. High hopes for the Western Gateway have not materialized. And while the City Council's conservative financial management of the City's resources have allowed the City to remain fiscally healthy during this time, the forecast for the City's sales tax revenues has remained very weak compared with the growth and revitalized business climate experienced in other nearby communities.

The City Council, acting as the Redevelopment Agency Board of Directors, took bold and decisive action in late 2000 and early 2001 by considering a new Redevelopment Project Area along the Corridor. While implementation of the new Project Area would have provided all of the necessary tools for major revitalization of the Corridor, public concern about the establishment of the Project Area led the City Council to abandon those plans in March, 2002. The abandonment of the Project Area, however, did not signify either the "magical disappearance" of the conditions prevalent in both the Corridor and the Western Gateway; nor did it signal any reduction in the City Council's determination to craft a solution to the ongoing problems of lack of diversity, below average sales tax growth, and a movement away from the traditional retail uses in the City's business districts. The Council has spend the last year attempting to bring prosperity to the City's business districts without resorting to the implementation of a Redevelopment Project Area. Tonight, the City Council will consider major proposals designed to encourage the following: (1) Retention and expansion of existing retail businesses, (2) Attraction of new retail businesses to the City (focusing especially on

those types of retail uses suggested by the Community during last year's Community Information Forums), and (3) the promulgation of design standards to update existing storefronts to reflect 21<sup>st</sup> century requirements.

## **DISCUSSION**

Earlier this evening, the City Council and Redevelopment Agency Board of Directors received a report from the respected economic analysis firm of Keyser Marston Associates. While the report was extensive, three major themes prevailed as major inhibitions to diversity and expansion in the City's business districts:

- (1) Current physical conditions are not conducive to attracting major new retail businesses to the City's business districts;
- (2) Economic conditions (such as demographics, location, and limited lot sizes) are barriers to major national retail chains moving into Temple City; and,
- (3) There is an absence of a major draw to entice existing residents to shop within Temple City or to encourage shoppers from outside the City limits to see Temple City as a shopping destination.

Without investment from either the City of Temple City or the City's Redevelopment Agency, it is highly unlikely that retail businesses already located in Temple City will expand appreciably and major retailers will want to relocate within the City limits. In the following paragraphs, Council is requested to consider an overall BRAP with specific provisions designed to address the above three impediments to major retail sector revitalization within Temple City.

## **PROPOSED BUSINESS RETENTION AND ATTRACTION PROGRAM**

### Façade Improvement Grant Program

Under this proposal, the Façade Improvement Program is retained at an increased level of City funding. It is proposed the grant limit of \$5,000 be increased to \$10,000. This would allow smaller, existing businesses to make needed repairs and improvements to physical conditions of their storefronts. Existing rules of the Program would be changed consistent with any changes the Council may make to the Downtown Specific Plan and any associated design guidelines. The 50% - 50% cost sharing would remain. Increase of the limit will help address Impediments #1 and #2 as outlined above (Physical Conditions and Economic Conditions). Approval authority would remain with the City staff and be limited to a ceiling amount as set by the City Council unless a greater amount or specific project would be specifically approved by the City Council.

### Enhanced Façade Improvement Grant Program

Recently, Staff has worked more closely with applicants for the Façade Improvement Program by suggesting applicants perform more extensive improvements to their storefronts. For example, a recent applicant applied for a grant to help offset the costs of painting his storefront. Staff suggested this would be a great opportunity to improve signage, install new windows, and replace the existing worn canopy with a new one. The applicant declined, not wanting to spend more money than is absolutely necessary. This may improve physical conditions, but also wastes an opportunity for more extensive and effective improvements.

It is proposed the City Council authorize the implementation of an Enhanced Façade Improvement Program. The Enhanced Program would allow funding up to \$25,000 per project and the funding ratio would improve from 50% - 50% to 75% - 25%. However, in return for a larger sum of grant and a more favorable funding level, participants would be required to adhere to certain design requirements to be determined by the City. These requirements would include (but not necessarily limited to) a preferred color palette and preferred storefront design. This would provide the City with a more uniform look in accordance with a certain design theme to be developed by the City Council with the input of the Planning Commission. The Enhanced Façade Improvement Program would also address, in a more efficient method, both Impediments #1 and #2 (Physical Conditions and Economic Conditions). Once guidelines are developed by the Planning Commission and City Council, approval authority would be at the staff level. Program funding would be as determined by the City Council unless a greater amount or specific project were to receive City Council approval.

The Council should note that implementation of this program would not begin until the Council had approved the required design criteria and related standards.

### Business Improvement Loan Program

One major attraction to potential businesses wanting to relocate in Temple City is the lack of incentives offered by the City and/or the Redevelopment Agency. Other Cities and Redevelopment Agencies have had significant success in overcoming market conditions by prudent, but significant, investment by participating in the costs of business improvements.

To encourage existing businesses to expand and/or make significant improvements, it is proposed the City and the Redevelopment Agency would offer Business Improvement Loans under favorable lending conditions. Such favorable conditions would include:

- Below Market Interest Rates (say LAIF rate plus 50 basis points – which under current LAIF yields would be 3.56% with a cap of 5.00%);

- Deferred Payment Periods of up to three years (no payments or interest due during the first three years of the loan);

Business Improvement Loans would be secured by a proper security instrument (a deed of trust or uniform commercial code filing or both). Unlike the grant programs mentioned above, the City would eventually receive 100% of its principal investment and interest earnings (which under current conditions are greater than the investment rate earned in LAIF). Business Improvement Loans would address all three Impediments (Physical Conditions, Economic Conditions, and Enticement of Draw). Overall funding for this category would be initially set by the amounts allocated to specific programs, which would be determined by agreements negotiated between the City and existing or potential tenants, subject to final approval of the City Council.

As reported to the Council earlier, there are two existing businesses in the Corridor that have expressed initial interest in participating in a Business Improvement Loan. It is anticipated the City Manager and City Attorney would work together as the City's representatives to package final agreements for the Council's review and approval. Agreements would be based upon a boilerplate document to be developed by the City Attorney, but each agreement would potentially contain provisions specific to that particular situation. Again, no financial or other obligation would be incurred by the City unless and until the City Council provided its approval on each specific proposal.

#### New Business Attraction Program

Recent interactions with potential new businesses through third parties have not yielded the success desired by the City Council. Further, as evidenced by the current state of the business district, passive reaction to those businesses attracted to Temple City has not been successful. It is, therefore, proposed that the City Council direct staff to take a significantly more active role in identifying businesses that are interested in opening in Temple City. This would include working more proactively to find new business tenants for our business districts as well as working together with landowners to meet the overall goal of increasing diversity in the City's retail centers.

Under the proposed Business Attraction Program, the City Manager would be authorized to contact businesses to gauge their desire to open in Temple City and to approach property owners to see if properties could be voluntarily assembled into larger areas which are more conducive to attracting larger businesses. With Council's approval of the three other facets of the overall BRAP, incentives could be offered to mitigate the current undesirable market conditions and attract new businesses into Town. As part of this more active role, it is proposed to authorize the City Manager, Community Development Director, and Senior Planner (and interested City Councilpersons, if desired) to attend the International Conference of Shopping Centers Annual Conference to be held in Las Vegas in May. The ICSC conference attracts "everyone that is anyone" in the retail world. In anticipation of attendance, staff would create a marketing guide for distribution to various desirable new businesses

encountered at ICSC. The participation of all or some of the Councilmembers would add emphasis to potential businesses as to the resolve of the City Council to improve conditions in our downtown areas.

Through these new programs, it is anticipated the City and its citizens would benefit in three major ways. First, the programs would entice new retail businesses to Temple City, thereby increasing "hometown shopping opportunities" for the City's residents. Secondly, the increase in sales tax and tax increment revenues to the City and the Redevelopment Agency could eventually offset (either fully or in part) the costs of the proposed programs and provide additional, long-term revenues that would allow the City Council to keep local taxes and fees at an absolute minimum. Thirdly, residential properties would benefit from an increase in overall property values due to the diversity of the City's economic base.

Council should keep in mind the fact that prior attempts by the City have been limited in effectiveness as reflected in the current conditions along Las Tunas Drive and the intersection of Las Tunas Drive and Rosemead Boulevard. These proposals are meant to facilitate a discussion by the Council about the best approach to encouraging new businesses to enter Temple City and existing, successful businesses to expand.

It is proposed the Council would give conceptual approval to these proposals this evening. Based upon the Council's direction, staff would further refine these proposals and return items to the Planning Commission and/or City Council at future Council meetings.

### **FISCAL IMPACT**

In accordance with the findings of the Keyser Marston Report, the City and Redevelopment Agency will be required to make a certain level of prudent investment in order to overcome the various economic and physical obstacles to encourage new business to enter Temple City and for existing businesses to expand. Depending on specific programs, the investment required could be several millions of dollars.

Conceptual approval of these proposals would not have an immediate fiscal impact. However, as projects are brought forward to the City Council for approval, the appropriate budget amendments would be recommended.

### **RECOMMENDATION**

It is recommended the City Council consider the proposed BRAP and direct staff as deemed appropriate.