

Agenda Report

October 17, 2011

TO: Honorable Mayor and City Council
Pasadena Community Development Commission

FROM: Economic Development, Office of the City Manager

**SUBJECT: ESTABLISHMENT OF PROJECT PRIORITIES FOR THE
DOWNTOWN REDEVELOPMENT PROJECT AREA**

RECOMMENDATION:

It is recommended that the City Council/Pasadena Community Development Commission (PCDC) approve the proposed list of redevelopment project priorities contained herein for the Downtown Redevelopment Project Area.

BACKGROUND:

For over four decades, California Redevelopment Law has existed for the purpose of eliminating blight and supporting economic development. In Pasadena, with the suburban sprawl that occurred after World War II, the oldest portions of the city suffered from all the blighting conditions that were at the heart of early redevelopment legislative intent.

Pasadena eventually established eight redevelopment project areas, covering 5% of the city's land area, in order to reverse the spread of blighting conditions. One of PCDC's eight project areas, Old Pasadena, arguably represents California's finest example of the success of redevelopment. Elsewhere in the city, neighborhood grocery stores, downtown hotels, the convention center, public parking garages, affordable housing projects and several other projects were made possible through the use of PCDC's redevelopment tax increment financing.

Today, at a time when California's economy continues to suffer from record unemployment and deteriorating infrastructure, the need for redevelopment remains high. However, recent actions to address chronic budget shortfalls at the state-level have called into question the future of redevelopment. On June 29, 2011, the Governor signed AB 26 which effectively eliminates Redevelopment Agencies, save for allowing them to pay off existing obligations. At the same time the Governor also signed AB 27 which would allow Redevelopment Agencies to effectively continue normal operations, provided they make significant "voluntary" payments to the State.

For Pasadena, the estimated “voluntary” payment is \$6.6 million for FY 2012 and \$1.56 million per year thereafter.

The California Supreme Court, acting in response to a legal challenge brought by the California Redevelopment Association, has stayed the implementation of AB 26 and AB 27 and has indicated it will rule on the constitutionality of each by January 15, 2012. Ultimately, the Court’s ruling will determine whether PCDC continues to: exist in a pre-AB 26-27 fashion; in a more financially constrained post AB 27 form; or completely cease operations.

Until the Court rules, PCDC is legally prohibited from undertaking new redevelopment activity. Notwithstanding, several factors suggest that now is an appropriate time for the City Council/Commission to set forth project priorities associated with the Downtown Redevelopment Project Area, with the hope that the Court’s ruling will enable these key projects to proceed.

Downtown Project Area

The Downtown Project Area which was established in December 1970, covers the area identified in Attachment A and generates approximately \$20 million in tax increment per year, representing roughly 72 percent of all tax increment generated by PCDC. Uniquely, through an arrangement created by the passage of Senate Bill SB 481 in 1987, which authorizes the use of redevelopment funds to repay prior general fund advances, the vast majority of these funds have been utilized to support the City’s obligation to the Fire and Police Retirement System. SB 481 sunsets in 2014 and it is estimated that all prior advances from the City’s General Fund to the Downtown Project Area will be repaid by mid-2013. Once these advances are repaid, all future tax increment must be used for redevelopment purposes provided there are projects that justify the continued collection of tax increment.

Assuming the provisions of AB 27 are upheld by the State Supreme Court, staff’s review of the projected tax increment levels and pass-through obligations indicates roughly \$75 million in tax allocation bonds can be generated. In the event the Court finds both AB 26 and AB 27 unconstitutional, the potential bond size would increase to approximately \$90 million. Assuming the City Council/Commission will want to target 20% of bond proceeds for the development of affordable housing, the net funding available would be either \$60 million or \$72 million, respectively. It should be noted that other factors such as interest rates and debt service reserve funds will have an impact on the net bond yield.

In order to initiate the process of issuing such a bond, the City/PCDC needs to identify projects and determine priorities. Moreover, recently the City applied for a \$4.2 million grant to fund the construction of a public park at the northeast corner of Union Street and El Molino Avenue; a project proposal which also calls for the development of underground parking. Staff has been advised that to increase the chance of obtaining the grant, the City would need to make a formal commitment of some sort, such as the action presented herein, to fund the garage portion of the project.

Broader Economic Context Considerations

As directed by Council's Economic Development and Technology Committee (Edtech), staff has drafted an Economic Development Strategic Plan. The Plan provides an assessment of conditions that drive the economy in Pasadena and is intended to help local stakeholders and decision makers consider strategies that will contribute to the City's future economic health. The preparation of this document is also aligned to be a reference document for the General Plan and assist with land use, development policies and redevelopment priorities. The Plan includes recommendations to enhance Pasadena's business climate, ensure the fiscal health of the City and support economic growth in a manner consistent with the City's character. A copy of the draft Plan is attached as Attachment B.

The Draft Plan identifies nine broad goals to support economic development in Pasadena.

1. *Support Existing Businesses that contribute to Pasadena's Diverse Economic Base*
2. *Strive to Keep the Local Workforce Trained and Employed*
3. *Attract New and Complementary Businesses to Pasadena*
4. *Increase Visitors and Visitor Spending*
5. *Maximize Pasadena's Technology Strengths and "Green" Business Interests*
6. *Strengthen Pasadena's Retail Sector*
7. *Enhance Vibrancy and Attractiveness of Pasadena for Residents, Employers and Visitors*
8. *Ensure Fiscal Health of the City*
9. *Build Community Support and Capacity for Local Economic Interests*

Staff has presented the draft to the Economic Development and Technology Committee, Community Development Committee, Planning Commission, Northwest Commission and Chamber of Commerce Board along with representatives from business districts and local institutions. It is anticipated that a final document will be prepared for future Council adoption after feedback from stakeholders can be incorporated.

Projects Considered

Using the existing PCDC 5-Year Implementation Plan, the City's Capital Improvement Program Budget, and with insights garnered from the draft Economic Development Strategic Plan, staff has identified the following projects:

YWCA Renovation: The YWCA is a long neglected yet important historic building in the Civic Center. Adjacent to City Hall and other civic structures, the YWCA, if improved, will activate the Civic Center. *Estimated Cost: \$12,000,000 (added acquisition costs, rehab)*

Playhouse District Public Parking: The Playhouse District is an eclectic mix of land uses and building types with very limited public parking. With only 200 public parking spaces and lack of a parking credit program that can attract new investment, the Playhouse District's retail performance has been flat. The construction of public parking spaces can facilitate the occupancy and upgrade of historic buildings, support the arts and could facilitate additional revenues to the City. The Playhouse District has asked the City to consider constructing two subterranean garages, one at the aforementioned Union and El Molino lot and the other below the existing surface lot on Madison St. between Colorado Blvd. and Green Street. *Estimated Cost: \$10,000,000 for El Molino site and \$10,000,000 for the Madison site.*

Convention Center Hotel in Civic Center: Strong weekday hotel occupancy in Pasadena's primary hotels constrains the ability of the Pasadena Convention Center to attract more lucrative conventions. A new hotel within the civic center area would bring an important resource for the convention center and increase retail activity in the downtown area. *Estimated Cost: \$10,000,000 (estimated level of financial participation to secure full service hotel)*

Civic Center Parking Garage: The existing parking demands within the Civic Center along with additional demands associated with the future rehabilitation of the YWCA will create the need for more parking. *Estimated Cost: \$18,000,000*

Green Tech Incubator: The sustainability goals of the City and the technology pursuits of local institutions make Pasadena a prime candidate for growing "green" jobs. Specifically, Caltech's Synthetic Photosynthesis Project and other grants from the Department of Energy are expected to generate several new discoveries that can be commercialized. *Estimated Cost: \$5,000,000 (investment in building to retain companies)*

Opportunity Fund: The potential acquisition of properties or building improvements within the project area may represent important opportunities to leverage private investments to implement City goals and secure jobs. This type of set aside fund will be useful for unexpected future projects that may develop. *Estimated Fund Cost: \$10,000,000*

Wayfinding Signage Program: The City was awarded a Federal grant to ease congestion and improve traffic flow through the development and installation of a vehicular and pedestrian oriented wayfinding system. The grant requires a local match which can be paid for using tax increment to address areas within Downtown. *Estimated Cost: \$500,000*

Improvements to Visitor/Shopping Experience: Pasadena's retail district competitors are private retail development groups (shopping malls and lifestyle centers) that have the ability to control their environment by upgrading physical amenities and selecting an attractive mix of retailers. In order to compete,

ongoing public improvements to Pasadena's retail environment are critical. In doing so, the City will be more appealing to convention business, employers and residents. Without such investment, Pasadena risks continued retail leakage to nearby cities. *Estimated Cost: \$5,000,000 (to support pedestrian amenities and/or specific improvements for a significant retail draw)*

Façade Improvements: Redevelopment funds have been used as matching funds to encourage building owners to renovate building facades. While some success has been achieved, various program constraints limit the number of building owners willing to participate. A fund to support future façade renovations could still help various blocks within the project area. *Estimated Cost: \$750,000 (fund could last ten years)*

Cordova Street Diet Project: Improvements along Cordova Street between Arroyo Parkway and Hill Street will facilitate improvements vehicle and bike lanes. *Estimated Cost: \$860,000*

Capital Improvement Projects: There are a variety of unfunded Capital Improvement Projects that are within or partially within the Downtown Redevelopment Project Area. A fund created by bond proceeds could be used for projects and for matching funds as grants are pursued. Projects include:
Intersection Improvements at Arroyo Parkway and Del Mar Boulevard - \$562,000
- This project provides for a second left-turn lane to the eastbound approach on Del Mar Boulevard to the 210 Freeway. This improvement would require additional right-of-way on the eastbound approach. Sewer Capacity Upgrades - \$100,000 – Green Street south sewer east of Marengo Avenue. Memorial Park - Implement Master Plan - Phase II - \$1,202,233 - Memorial Park is a 5.3 acre community park which contains the Pasadena Senior Center and the band shell performance facility (an amphitheater). The neighborhood consists of multifamily residential housing in addition to commercial establishments such as restaurants and shops. This project provides for the completion and implementation of phase II of the Master Plan at Memorial Park. Phase II of the plan include the restoration and seismic retrofit of the library monument and installation of Gold Shell fountain with seat wall. *Estimated Cost: \$1,900,000*

Central Area and Rose Bowl Parking: The pool of private parking at the Parsons campus is vital to Old Pasadena's retail activity and supplies remote parking for large events at the Rose Bowl. Now that the new land owner is pursuing entitlements for future development, an opportunity may exist for PCDC to participate and secure public parking in the newly development location. *Estimated Cost: \$2,000,000 (Acquisition of spaces and/or improvements specific to retail connection and Rose Bowl transit)*

Central District Technology Facility: Pasadena's technology institutions and the cluster of small technology businesses represent an under-utilized city strength that can be leveraged to spur future job growth. A prominent technology based business with international recognition and/or a technology incubator would help solidify Pasadena as a place where ideas are not only developed, but

provide jobs and lasting local benefits. *Estimated Cost: \$5,000,000 (potential acquisition and/or tenant improvements)*

Pacific Rim / International Anchor: Increasingly, the San Gabriel Valley is becoming a destination and new home for persons from the Pacific Rim, particularly Asia. Pasadena could become a more sought after location through the development of international business/retail center. *Estimated Cost: \$5,000,000 (investment in regional trade center or retail lure)*

Restoration and Renovation of the Historic Civic Auditorium Ballroom: This project provides for the restoration, renovation and upgrade of the Civic Auditorium and the historic ballroom. Improvements will include upgrades to satisfy market needs. *Estimated Cost: \$5,200,000*

Civic Center/Mid-Town Public Improvements and Related Components - Phase II: Phase II improvements will include additional streetscape and walkway improvements; landscaping and street trees; installation of new fountain or other approved central water element in Centennial Square and associated brick paving, bollards and associated improvements; Holly Street green median and bollard improvements; additional brick street crossing paving at Garfield and Walnut Street; signage and historic building markers; new gateway entry elements, additional trees and site amenities for the district as identified in the approved Civic Center/Mid-Town District Plan. *Estimated Cost: \$11,000,000*

Street Car: The idea of the streetcar is both an economic development tool and means to support a park-ounce strategy thereby reducing automobile circulation. The City's Central District is comprised of multiple distinct districts that are adjacent but just out of reach of one another on foot. A streetcar would reduce walking time and provide a fixed connection between the various districts. The advent of a street car system would enable visitors and residents to park-ounce and ride from destination to destination rather than drive. *Estimated Cost: \$100,000,000+*

Downtown Redevelopment Project Area Priority Projects

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Each of these projects has been evaluated in terms of consistency with the goals identified in the Economic Strategic Plan and potential for generating additional economic activity. Based on this evaluation staff is recommending that the City Council/Commission establish the following as the project priorities for the Downtown Redevelopment Project Area.

Recommended Future Projects in Downtown	Estimated Cost
Top Projects	
YWCA Rehabilitation	\$12,000,000
Playhouse District Parking (Site #1)	\$10,000,000
Playhouse District Parking (Site #2)*	\$5,000,000
Convention Center Hotel in Civic Center	\$10,000,000
Civic Center Parking Garage	\$18,000,000
Green Tech Incubator	\$ 5,000,000
---Threshold for \$60 million Bond---	
Opportunity Fund	\$ 5,000,000
Wayfinding Signage Program	\$500,000
Improvements to Visitor/Shopping Experience	\$5,000,000
---Threshold for \$72 million Bond if no AB 27---	
Other Projects:	
Façade Improvement Fund	\$750,000
Cordova Street Diet Project	\$860,000
Capital Improvement Projects	\$1,900,000
Central Area and Rose Bowl Parking	\$2,000,000
Central Area Technology Facility	\$5,000,000
Pacific Rim/ International Anchor	\$5,000,000
Restoration of the Historic Civic Auditorium Ballroom	\$5,200,000
Civic Center/Midtown Public Improvements Phase II	\$11,000,000
Street Car	\$100,000,000
Opportunity Fund	\$ 5,000,000

*Balance of funding for a second Playhouse District parking garage to come from other sources, such as future parking meter revenues generated from within the district.

COUNCIL POLICY CONSIDERATION:

Economic Development and Employment Element Goal 1 of the General Plan – encourages a sound local economy which attracts investment, increases the tax base, creates employment opportunities for Pasadena residents and generates public revenues.

Objective 1.1 addresses revitalization of declining commercial and industrial areas and obsolete facilities through redevelopment, rehabilitation and other available means.

ENVIRONMENTAL ANALYSIS:

There are no environmental impacts associated with this recommended action. If any individual project identified within this report moves forward towards implementation, the specific project will undergo a full CEQA review.

FISCAL IMPACT:

There is no fiscal impact as a result of this action. A Council action on priorities will provide direction for staff to pursue additional project details and initiate the appropriate steps associated with a tax allocation bond. All actions will return to the City Council/PCDC at a later date.

Respectfully submitted,



STEVE MERMELL
Assistant City Manager

Prepared by:

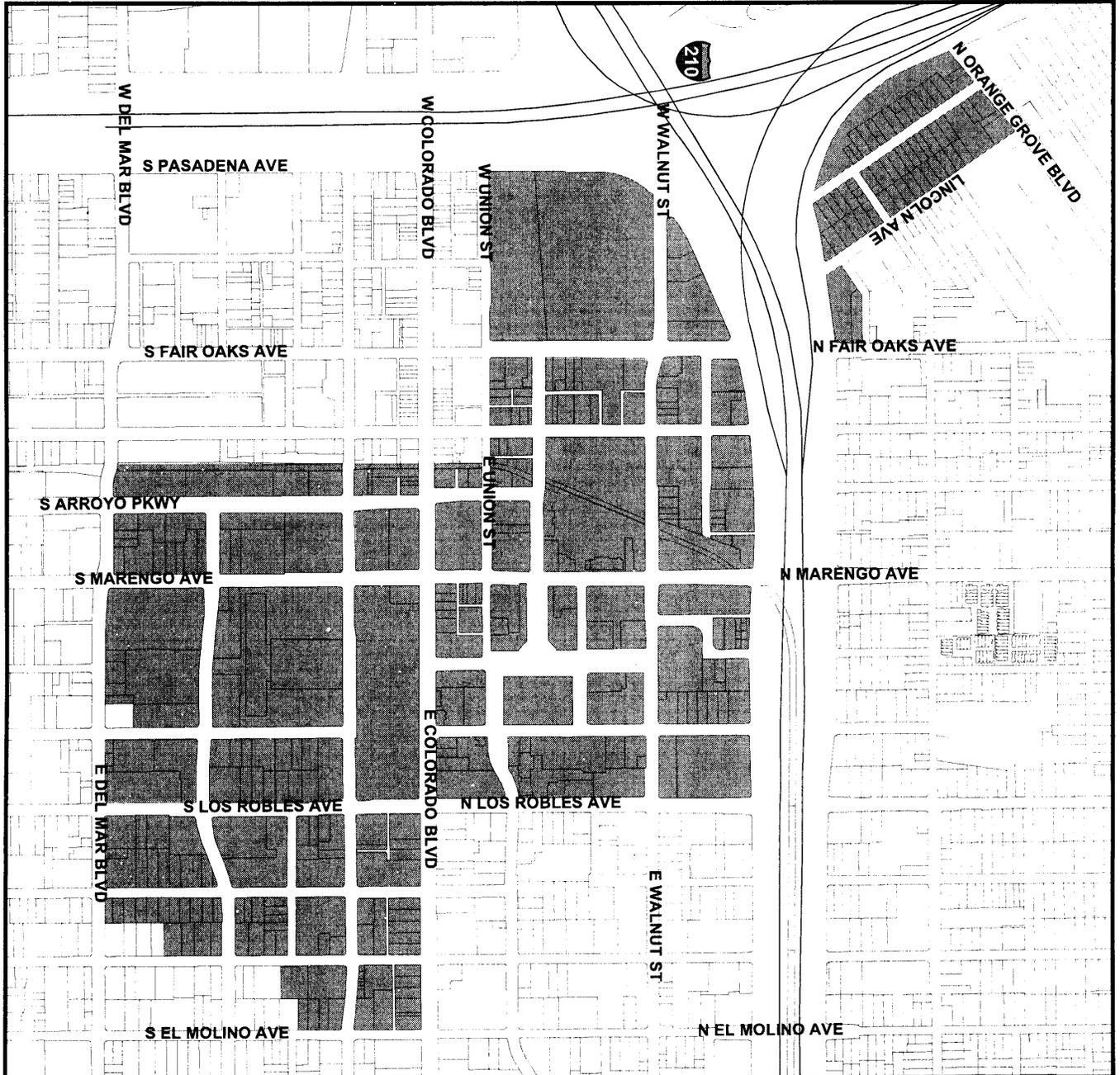


ERIC DUYSHART
Economic Development Manager

Approved by:



MICHAEL J. BECK
City Manager



**City of Pasadena
Downtown Redevelopment
Project Area**

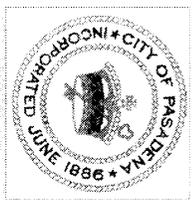
Adoption Date: December 1970
(Ordinance #5005)

Term of Plan: 35 Years; Extended to 40 years
(Ordinance #6807); Amended via
Ordinance 7158 extending 3 additional years.

Total Project Area: 340 acres

Base Year: 1970-71

Project Expiration: December 29, 2013



0 0.125 0.25
Miles
Coordinate System: State Plane California Zone V, FIPS 4601 (Feet Datum, NAD 1983)
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